

ANNUAL REPORT 2026



QUICK FACTS

Community owned, city asset

City Forests is owned by the City of Dunedin, Ōtepoti and includes more than 25,000ha of productive forests, with around 9 million trees.

City Forests estate include over 87km 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 \$137.2m to the city in dividends since 1990.

The forestry and wood industry is New Zealand's fourth 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 8.2M tonnes of CO²-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

\$0.71M

in **Dividends**
for the year ended
30 June 2026

\$7.0M

Special Dividend

85 

**STAFF &
CONTRACTORS
EMPLOYED**

23,290  **m3**
**OF BIOENERGY
SUPPLIED**



87km

of community access

**WALKING &
MOUNTAIN
BIKE** tracks



**8.2m
TONNES**

CO₂e stored by
City Forests



\$50k

WILDLING PINE
CONTROL

25,220 ha

of **LAND UNDER
MANAGEMENT**



\$115k

SPONSORSHIPS

including:

- Orokonui Eco-Sanctuary
- Predator Free Dunedin
- Dunedin Wildlife Hospital

1,078,800

NEW TREES PLANTED 2025-2026

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COMPANY PARTICULARS

AS AT 30 JUNE 2026



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 1.10.25 – 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, RFP.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

The Audit Office on behalf of the Controller and
Auditor-General

SHAREHOLDER

Dunedin City Holdings Limited





DIRECTORS REPORT

DIRECTORS' REPORT

FOR THE YEAR ENDED
30 JUNE 2026



The Directors of City Forests Limited are pleased to present their report on the activities of the Company for the year ended 30 June 2026.

Principal Activities of the Company

This report covers the financial year 1 July 2025 to 30 June 2026.

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 2026

	\$'000
Operating Surplus before Income Tax	(3,161)
Less Income Tax	(915)
Net Surplus for the Year	(2,245)

State of Affairs

The Directors are pleased with the operational results achieved by the Company during the year, having regard to the unsettled international operating environment, increasing costs, generally slow Asian and domestic log markets, and the forest estate wind damage event that occurred in October 2025. Despite these risk factors, the Company has completed its operational and marketing activities, achieving production results 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 \$7,710,400 unimputed dividends during the year, made up of:

- a special dividend of \$3,500,000 in December 2025
- an additional ordinary dividend of \$710,400 in December 2025, and
- a special dividend of \$3,500,000 in June 2026.

Donations

There have been \$13,360 of donations made during the year.

Reserves

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

	\$'000
From Forestry Reserve	(7,077)
To Retained Earnings	3,890
From Hedging Reserve	(3,178)
From Land Revaluation Reserve	(10,581)
From Carbon Credit Reserve	(9,516)

This review of operations and the accompanying financial reports cover the 1 July 2025 to 30 June 2026 financial year.

Directors report a below plan net financial performance for City Forests during the year, recording a net loss after tax of -\$2.245m vs. \$5.775m plan. The financial performance from forest operations delivered a cash flow positive result, however, reductions in non-cash forest crop and land valuations impaired the final net after tax result.

The impact of the October 2025 wind event, that damaged approximately 4% of the productive forest area, combined with increased operating costs arising from the Iran war fuel crisis, were the defining factors that drove variance to plan.

Unimputed dividends of \$7.710m were paid, comprising ordinary dividends of \$0.710m and a special dividend of \$7m.

A summary of health and safety, environmental, community, markets, and operational factors contributing to the result is detailed below.

Health and Safety: 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 12.4 lost time injuries per 1 million hours worked (LTIF 5.9 previous year). There were two lost time injuries during the year, of which one was minor, and the other was moderate and the worker has fully recovered.

The company was pleased to achieve a significant work programme of higher risk wind damaged log harvest using mechanised operations in challenging operating conditions without serious incident or injury.

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 system improvements in the areas of PCBU responsibility, critical risk controls and 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 of safety compliance supported by driver training programmes, and a commitment to a drug and alcohol impairment free workplace.

Environmental: 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 standard was achieved.

The forest estate, both exotic and indigenous areas, including underlying land, is managed on a long-term sustainable basis. Maintaining estate resilience to extreme weather events, including reducing the risk of land and slash movement occurring both within the estate and impacting estate boundaries, as well as achieving high water quality outcomes remains a primary focus. Attention is also given to supporting rare, threatened and endangered species such as Kārearea (New Zealand Falcon), Toutouwai/NZ Robin and Galaxiids (New Zealand native and endemic fish) 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 and Predator Free Dunedin.

The Company has an emissions and waste reduction plan and contributes to the wider Dunedin City carbon neutral goal through bio-energy supplies and afforestation. 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 continues to be a leader in using residue wood for 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.

Community: The Company makes its forest estate available for community recreation, which incorporates open access areas (outside work hours), permitted access, and permitted events. Walking and mountain biking is highly popular, and the Company works with Mountain Bike Otago to establish and operate numerous cycle tracks, and manages 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.

Log Export Markets and Returns

Log export market returns in New Zealand Dollars are a function of the combined movements of market log prices, sea freight costs, and the NZD/USD exchange rate. These items are discussed separately below.

Market Conditions: The year has seen ongoing geo-political disruption resulting in upset trading conditions. The introduction of tariffs and increasing international conflict has indirectly reduced market confidence and impacted energy supplies and prices.

Accordingly, demand from the Company's primary South Korean and Chinese export log markets has been modest whilst supply chain costs to service these markets have increased. These primary markets were supplied with regular bulk shipments. Smaller volume containerised shipments were made to South Korea, Vietnam, Thailand and Indonesia.

A recent positive development has been the rapid expansion of the New Zealand - India log trade arising from the signing of free trade agreements during the year. The Company will complete its first India shipment early in the 2026-2027 financial year. The addition of India as a significant log export market for New Zealand has been sufficient to increase overall demand and early indications suggest this is working to achieve increased prices across all markets.

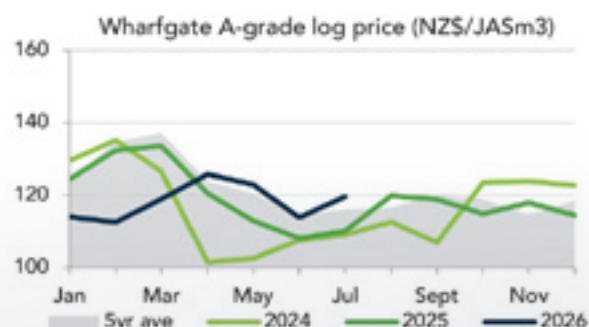
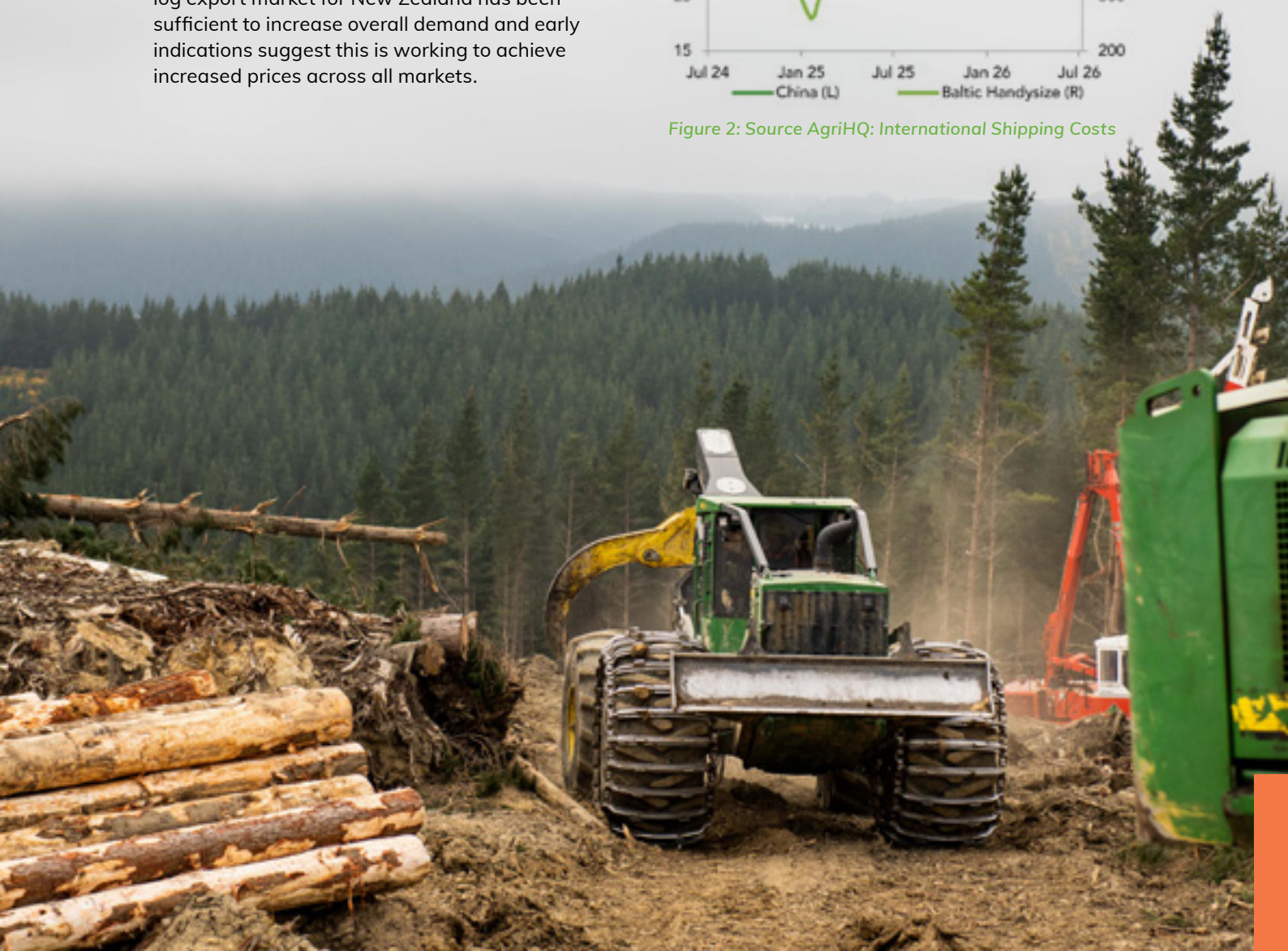


Figure 1: Source AgriHQ: Wharf Gate Export A-Grade Log Prices

Export Sea Freight: The cost per JAS cubic metre paid for international shipping to Asian markets decreased during the first half of the year then increased sharply following the outbreak of the Iran War and associated increases in fuel costs. These cost movements were only partly moderated by movements in log price and had an impact on NZD wharf gate returns.



Figure 2: Source AgriHQ: International Shipping Costs



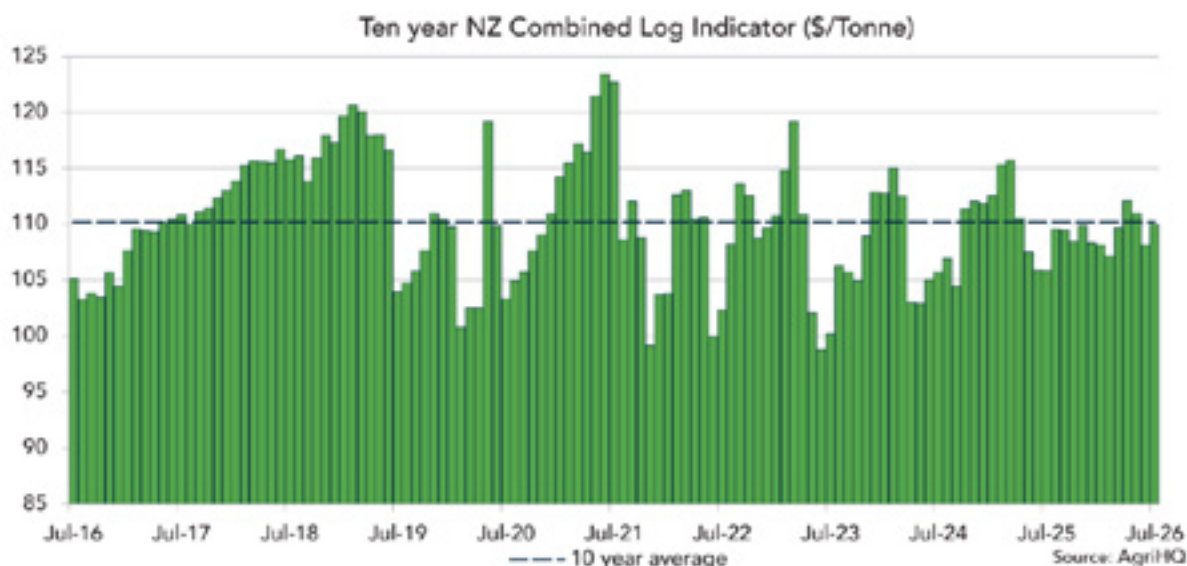


Figure 3: Source AgriHQ: New Zealand Industry Long Run Average Log Prices

New Zealand Dollar Exchange Rate: The value of the New Zealand Dollar compared to the United States Dollar traded across the 0.56c – 0.61c range during the year.

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 10 years for New Zealand forest owners as detailed on the chart below.

Foreign Exchange Hedging

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

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

Domestic Log Market

The Company continues to supply domestic mills in Otago and Southland. Overall, 29% (26% 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- or six-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.

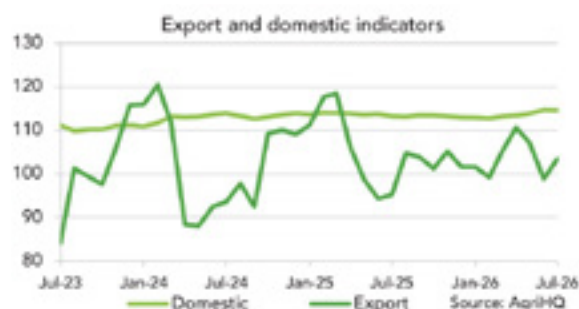


Figure 4: Source AgriHQ: New Zealand Industry Average Export and Domestic Prices

Forest Production

Measured on a sustainable cut comparative basis, which excludes additional residue log recoveries, estate production was 386,918m³ which was 8.4% above planned harvest of 356,966m³. This was primarily due to a value recovery focus following the October 2025 wind damage event. Harvest operations also recovered more low-grade residual wood for domestic supply including bioenergy.

Incorporating this additional recovery, total production from the forest estate was 409,407m³ (373,874m³ previous year).

The Company handled a total volume of 417,270m³ for the year. 7,863m³ of outside



**THE COMPANY
HANDLED
A TOTAL
VOLUME OF
417,270m³
FOR THE YEAR**

wood was traded during the year, principally to supplement log export operations and achieve shipping efficiency.

The Company suffered a damaging wind event in October 2025 as noted above. After this event harvest production was accelerated and harvest plans were amended to prioritise the recovery of damaged trees before decay and further value loss set in, and this was successfully achieved. This is the primary reason for overproduction.

Supply chain operations were impacted by increased costs arising from the Iran War fuel crisis. Sufficient fuel was available but at a higher cost. This was in addition to higher contracting costs incurred as a result of the more complicated wind damaged recovery harvesting work.

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 an accelerated programme of road development work, upgrading access roads to forest areas impacted by wind damage to support recovery operations in addition to maintaining existing infrastructure.

Forest Asset Operations

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

The Company 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 further developed during the year, partially replacing chainsaw thinning operations.

The pruning investment strategy has been reviewed, and following economic analysis, the long-term pruning programme 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. Pruning operations can be re-started in future provided economic market options are available to realise the pruning investment.

New Land Acquisition

During the year the Company purchased 78.89 ha's of land. (nil previous year). Five divestments of house and lifestyle block subdivisions totalling 103 ha's were completed during the year.

Carbon

The Company continues to be a participant in the Emissions Trading Scheme (ETS) 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 (CO₂).

The Company sold 200,000 NZU's during the period in accordance with its divestment plan. The funds received from the sale of this asset were paid to the shareholder in the form of a special dividend of \$7 million as noted above.

The October 2025 wind damage event impacted areas registered in the ETS. The Company has applied for a series of four ETS Temporary Adverse Event Suspension applications covering the primary wind damaged ETS areas. If approved (in full or in part) by the regulator, each application will allow the suspension of ETS carbon accounting liabilities until the affected forest areas are cleared, replanted and regrown to the carbon stock point at which the original damage occurred. These applications can only be processed once clearing is completed and for the first three applications will likely occur before the end of the coming financial year or later. Accordingly, the result of the applications remains subject to regulatory determination and as such is unresolved on 30 June 2026. They have therefore not been considered in the preparation of these financial statements in terms of their respective impact on the Company's Safe Carbon Levels as at 30 June 2026.

The Company's mandatory emissions return for the 3-year carbon accounting period to 31 December 2025, which was due for submission by 30 June 2026 cannot be filed and has been extended as it is subject to the outcome of the

ETS Temporary Adverse Event Suspension applications.



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. This means that 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.

Given that the outcome of the ETS Temporary Adverse Event Suspension applications will likely impact the recognition of harvest liabilities from the clearing of wind damaged ETS areas, the success or otherwise of the applications is a factor in determining the number of NZU's available for sale (i.e. the safe carbon level which in accordance with accounting policy is an asset held at fair value) in the future. As noted above, the balance sheet value of the carbon asset at 30 June 2026 does not take into account any impact that may arise from the applications being successful. This is further detailed in the notes to the accounts.

Greenhouse Gas Emissions Reporting

City Forests is supporting New Zealand's goal to be Net Zero by 2050. The Company plays a 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 arising from

commercial forest operations is excluded (being part of the ETS) and therefore, despite its forestry activity, the Company reports 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 reducing emissions from these vehicles as they are renewed over time. 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 achieve gross emissions reduction 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 (road transport). Scope 3 emissions also include waste from operations, which are within the Company's control. The Company plans to continue to reduce waste and to adopt technology enabling reductions in Scope 3 emissions once commercially available and economically viable.

Notwithstanding this, the Company also has a strategy of insetting carbon emissions by way of establishing and maintaining native and riparian plantings in otherwise non-productive 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), other than exploring options for greater onshore log sales.

The Company continues to work towards its Carbon Emissions and Waste Reduction plan that is consistent 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 bioenergy contribute to the wider Dunedin City zero carbon goal.

In July 2026, based on updated emissions modelling showing the 2030 net zero target was highly unlikely to be achieved, the Dunedin City Council resolved to adopt a new target, with a short-term gross emissions reduction target (emissions before carbon dioxide absorbed by trees is considered), and a longer term net zero target. The Council will decide on the specifics of a new city-wide emissions target later in 2026.

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 is to include the activity of the Company's contractors, including:

- Business travel (pertaining to the Company business, 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.

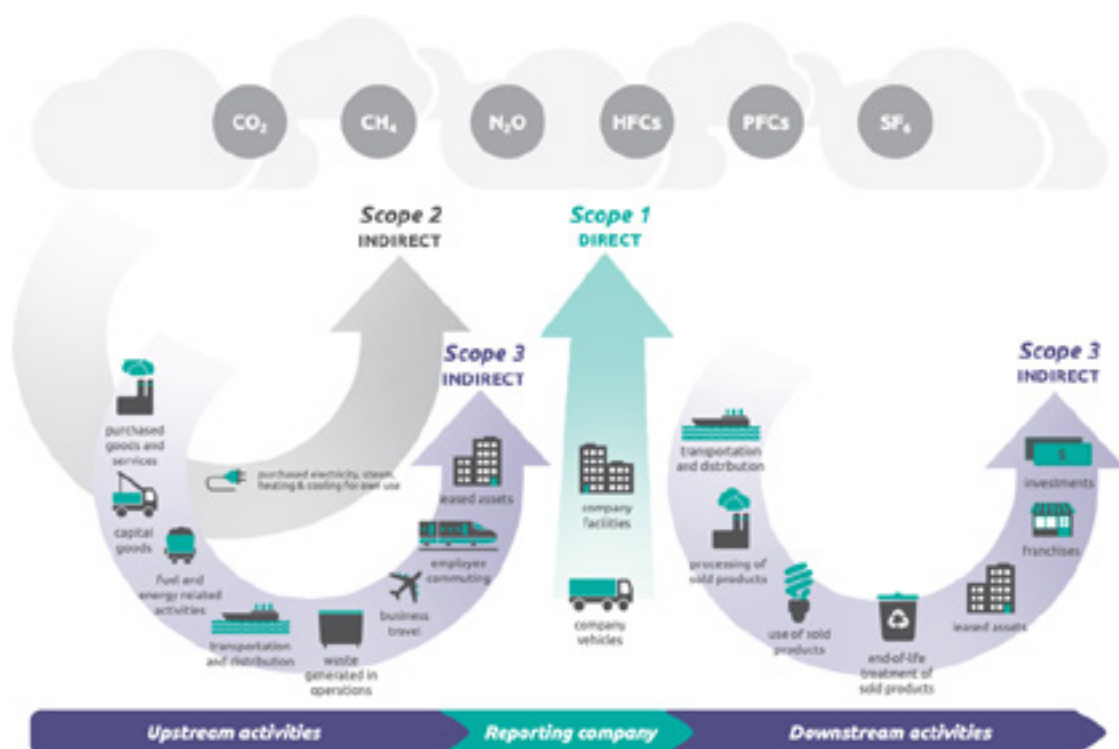


Figure 6: Source: GHG Protocol - Figure 1.1 of Scope 3 Standard

Results

Emissions are reported as tonnes (t) of Carbon Dioxide (CO₂) equivalent (e); or tCO₂-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 2026 are 24,317 tCO₂-e, with sequestration from insetting (native reserve areas) of 4,929 tCO₂-e, resulting in net emissions of 19,388 tCO₂-e.

Note; As described above, commercial forest ETS carbon sequestration and ETS emissions (arising from harvesting) are excluded. 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	2026	2026
Emissions	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%
Scope 1	112	0.5%	103.9	0.5%	110	0.5%	117	0.6%	116.6	0.6%	114	0.6%
Scope 2	3	0.0%	3	0.0%	3	0.0%	2	0.0%	3	0.0%	2	0.0%
Scope 3	27,289	121.4%	24,129	125.0%	25,303	123.5%	24,777	124.1%	24,289	124.7%	24,200	124.8%
Total Gross	27,404	121.9%	24,235.9	125.5%	25,418	124.1%	24,897	124.7%	24,409	125.3%	24,317	125.4%
Forestry Inset	-4,929	-21.9%	-4,929.4	-25.5%	-4,929	-24.1%	-4,929	-24.7%	-4,929	-25.3%	-4,929	-25.4%
Total Net	22,475	100.0%	19,306.5	100.0%	20,489	100.0%	19,968	100.0%	19,480	100.0%	19,388	100.0%

Table 2: Scope 3 emissions on-shore and off-shore

	2021	2021	2022	2022	2023	2023	2024	2024	2025	2025	2026	2026
Scope 3 Emissions	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%	t CO ₂ -e	%
Scope 3 Onshore	8,317	30.5%	7,197	29.8%	7,068	27.9%	7,488	30.2%	7,231	29.8%	7,971	32.9%
Scope 3 Offshore	18,972	69.5%	16,932	70.2%	18,235	72.1%	17,289	69.8%	17,058	70.2%	16,230	67.1%
Total Scope 3	27,289	100.0%	24,129	100.0%	25,303	100.0%	24,777	100.0%	24,289	100.0%	24,200	100.0%

It should be noted that the primary driver for increased emissions between FY2025 and FY2026 is increased production following the October 2025 wind damage event.

Table 3: Emissions by activity

	tCO2e YTD FY26	tCO2e YTD FY25*	tCO2e Variance FY26- FY25	tCO2e YTD Base year FY22*	tCO2e Variance FY26- FY22
Fuels	114.3	116.6	-2.3	103.9	10.4
Refrigerant	-	-	-	-	-
Animals and livestock	-	-	-	-	-
Fertiliser	-	-	-	0.5	-0.5
Purchased Electricity	2.3	3.2	-0.9	3.0	-0.7
Flights (Domestic)	8.3	7.2	1.1	1.2	7.1
Flights (International)	-	29.9	-29.9	-	-
Freight	19,726.5	20,046.9	-320.4	20,021.6	-295.2
Waste to landfill	2.2	1.3	0.9	1.1	1.1
T&D losses	0.2	0.2	-0.1	0.3	-0.1
Taxis & mileage	0.1	0.7	-0.6	0.1	-0.0
Contractor Fuels	4,463.0	4,202.5	260.5	4,104.8	358.2
Accommodation	0.2	0.2	-0.1	0.0	0.1
Forestry (owned)	-4,929.4	-4,929.4	-	-4,929.4	-
Total	19,387.6	19,479.4	-91.7	19,307.2	80.5

Note: *Base year and 2025 (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 represents approximately a 4% reduction in forest value and reflects the outcome of a standard New Zealand Institute of Forestry valuation approach that has been independently peer reviewed by a third-party, Indufor Asia Pacific Ltd.

The valuation approach has evolved compared to previous years. The Company has discontinued use of the Woodstock valuation software model used in prior years to determine a liquidation based, single-rotation forest value.

For the 30 June 2026 valuation the Company has used the Tiger Moth modelling software to determine a multi-rotation derived forest value. The company continues to apply NZ IAS 41, with fair value measured using a revised multi-rotation discounted cash flow technique consistent with NZ IFRS 13 fair value measurement principles. This change is detailed further in the notes to the accounts.

In determining the fair value of its biological assets, the Company considered the interaction between NZ IAS 41 and NZ IFRS 13. The valuation approach previously applied reflected the view that NZ IAS 41 limits the biological asset to the existing crop, effectively, "what is alive" at the measurement date and therefore used cash flows from a single rotation. NZ IFRS 13 requires fair value to reflect market participant assumptions. The New Zealand Institute of Forestry considers that these assumptions would incorporate multiple forest rotations.

In 2026, The Company revised its valuation technique to apply NZ IFRS 13's fair value measurement principles. For a long-term sustainable forestry operation such as City Forests, the Company considers that a multi-rotation cash flow model better reflects the assumptions market participants would use in valuing the existing forest crop. This approach is also consistent with the Company's sustainable forest management objectives set out in its Statement of Intent.

Accordingly, biological assets are valued annually on 30 June and the fair value derived from the new approach decreased by \$8.3 million compared to the previous year. The biological asset had

harvesting depletions of \$11.3m, cost of bush additions of \$2.95m resulting in a net revaluation in Statement of Comprehensive income of \$66k, as detailed in note 5 to the accounts.

During the year the Company undertook work to improve the precision of its underlying forest description data incorporating wind damaged areas. One of the primary drivers of the valuation change was the recognition of wind damaged forest areas, approximately 4% of the productive estate. Other change factors are related to the combined effect of updating multiple modelling parameters associated with the adoption of a new model.

There is no change in discount rate year on year with a consistent rate of 6.4% (on a pre-tax basis) having been adopted by the Board of Directors after taking advice on an appropriate range of benchmarked discount rates from Indufor Asia Pacific Ltd.

The New Zealand Institute of Forestry, Forest Valuation Standard allows for biological asset valuations to be conducted on either a post-tax or pre-tax basis, however pre-tax is more common and has been adopted by City Forests.

Likewise, valuations can be conducted either on a single rotation basis or a multi-rotation basis with the multi-rotation approach adopted in 2026 better reflects how market participants would value the tree crop. City Forests has aligned to this approach in 2026.

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 decreased overall, particularly certain parcels of Post-89 land. This is in response to market evidence reflecting changes in the carbon price premium and mapping work undertaken by the Company. These changes reversed previous gains to land value purchase price and reduced 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 and the Company will continue to take steps to increase market diversification.

The company is actively working with industry peers to enable added value wood processing investment in Otago as a means to increase domestic wood processing, increase market diversification whilst reducing supply chain carbon emissions.

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 where there is strategic benefits, 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 2027 financial year is predicted to deliver a result similar operating result to 2026 with profitability being constrained by market forces for the two key products (logs and carbon), noting cost inflation and geopolitical trade risks and higher than average fuel costs at the date of this report. 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 special dividend of \$3.0 million is forecast for the 2027 year being sourced from sales of part of the 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, India 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.

The Company is well placed with a mature, harvest ready forest and proven export capability to make the most of market opportunities.

Change of Directors

There have been no change of Directors during the financial year.

Financial Statements

The audited financial statements for the year ended 30 June 2026 are attached to this report.

Directors' Interests in Contracts

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

Auditors

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

Employee Remuneration

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

Table 4:

Employee Total Remuneration including Other Benefits, \$000	No of Employees
\$100,000-\$110,000	1
\$110,000-\$120,000	2
\$120,000-\$130,000	1
\$130,000-\$140,000	1
\$150,000-\$160,000	1
\$160,000-\$170,000	1
\$170,000-\$180,000	1
\$220,000-\$230,000	1
\$280,000-\$290,000	1
\$430,000-\$440,000	1

Disclosure of Chief Executive Officer remuneration

The base salary of the CEO is in the range of \$350,000 - \$360,000. Additionally short-term incentives of between \$40,000 and \$50,000 are paid if performance criteria are met. This excludes

other benefits of \$28,000. 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, and four men and one woman at senior management level across the organisation. There are ten men and four women as employees of the organisation.

Information on the Directors of City Forests Limited

	2026	2025
Scott A Mason	82	75
Chairman (Appointed 1 September 2022)		
Non-Executive Director (Reappointed 1 October 2025)		
K Alison Posa	41	38
Non-Executive Director (Reappointed 1 October 2023)		
Chair, Audit Committee (Appointed 1 May 2023)		
Phil R Melhopt	41	38
Non-Executive Director (Reappointed 1 October 2024)		
Kate E Bromfield	41	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 especially in the challenging time period following the October 2025 wind damage event. 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 22.09.2026

K A Posa
Director



Date 22.09.2026



ENVIRONMENTAL SOCIAL & GOVERNANCE

“FORESTS FOR OUR FUTURE”

Environment and Sustainability

- Continued commitment to responsible and sustainable forest estate management
- 120 years of sustainable forest management
- 26 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 8.2m tonnes CO₂-e
- New plantings increasing carbon storage

Health and Safety

- Commitment & improvement culture
- Lost Time Injury Frequency 12.4 (5.9 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 2026

*\$'000



SHAREHOLDER FUNDS

\$248,445*

DIVIDENDS PAID

\$7,710*

OPERATING CASHFLOWS

\$6,277*



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 2025

Appointed Chairman 1 September 2022

Consultant, 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, Otago Polytechnic Council
Director, Pilatus Trust

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 Limited
Director, OTPP NZ Forest Investments Topco
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.

Date Reappointed 1 September 2024

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

Trend Statement

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CITY FORESTS ANNUAL REPORT 2026 // TREND STATEMENT

(All \$'000 unless stated otherwise)

FINANCIAL PERFORMANCE

	2026	2025	2024	2023	2022
Domestic Revenue	11,298	9,142	10,984	9,780	8,895
Export Revenue	48,022	48,549	48,943	53,142	55,199
Other Revenue	1,071	758	574	513	1,634
Total Operating Revenue	60,391	58,449	60,501	63,435	65,728
Percentage (Decrease)/Increase	3.3%	(3.4%)	(4.6%)	(3.5 %)	.9%
Inventory Movement	1,141	225	107	213	56
Total Expenses	64,552	59,672	62,055	65,118	67,319
Percentage (Decrease)/Increase	8.2%	(3.8%)	4.7%	3.3%	17.4%
Operating (Loss)/Surplus	(3,020)	(998)	(1,447)	(1,470)	(1,535)
Gain in fair value of biological assets	66	7,423	11,686	13,185	9,474
Write up/(down) value of land/bldgs	(207)	5,043	(2,179)	(2,956)	453
Surplus After Non-Operating Items and Before Taxation	(3,161)	11,468	8,060	8,759	8,392
Income Tax	(916)	1,762	2,966	3,296	2,232
TOTAL SURPLUS AFTER TAXATION	(2,245)	9,706	5,094	5,463	6,160

SHAREHOLDERS' FUNDS

Shareholders' Funds	248,445	274,907	242,400	244,967	282,203
Operating Cash flow	6,277	7,846	9,075	6,258	7,258
Return of capital	-	-	-	10,000	-
Dividends Paid - Normal	710	3,134	3,000	3,600	5,000
- Special	7,000	10,000	13,500	-	1,800
Value of Biological assets	201,783	210,105	210,248	205,543	201,362
Surplus after tax to shareholders funds	(.9%)	3.53%	2.1%	2.2%	2.18%
Proprietorship Ratio	67.5%	67.9%	66.4%	69.4%	72.56%
Net Biological assets Revaluation	48	5,344	8,414	9,493	6,822
Net Land Revaluation	(10,268)	26,648	2,830	(1,949)	10,156

FOREST STATISTICS (Whole numbers)

Forest harvested (m3)	409,407	373,874	389,116	360,562	343,326
Volume traded (m3)	7,863	13,082	14,058	18,914	26,358
Forest planted (ha)	425	1,191	824	1,214	1,054
Total forest (ha)	20,103	20,115	20,016	20,084	19,919
Forest purchased (ha)	-	-	-	-	130





FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the Year Ended 30 June 2026

	NOTE	2026 \$'000	2025 \$'000
Revenue	3	60,439	63,433
Financial income		40	59
Gain in fair value of biological assets	5	66	7,423
TOTAL REVENUE		60,545	70,915
Inventory movement		1,141	225
LESS EXPENSES:			
Contractors		24,780	21,079
Depreciation and amortisation expense		680	702
Directors' fees		206	188
Employee expenses		2,641	2,472
Financial expenses		2,139	3,044
Other expenses	4	34,401	32,187
Total expenses		64,847	59,672
(Loss)/profit before tax		(3,161)	11,468
(Plus)/less Income tax expense	14	(916)	1,762
NET (LOSS)/PROFIT AFTER TAX		(2,245)	9,706
OTHER COMPREHENSIVE INCOME:			
(Loss)/gain on cash flow hedges taken to equity		(5,225)	1,992
Hedging gains reclassified to profit or loss		811	-
Tax effect of cash flow hedges taken to equity		1,236	(558)
(Decrease)/increase in land revaluation		(10,581)	26,648
Carbon credits (devaluation)/revaluation above initial recognition taken to equity		(5,227)	11,777
Carbon credits revaluation/(devaluation) on sale units		1,417	(840)
Tax effect of carbon credits taken to equity		3,701	(1,581)
Tax effect of carbon credits sold		(2,639)	1,503
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		(16,507)	35,935
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(18,752)	45,641

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 2026

	Share Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2024	15,691	188,367	38,342	242,400
Net profit after tax	-	-	9,706	9,706
Other comprehensive income for the year	-	35,935	-	35,936
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	-
Balance at 30 June 2025	15,691	219,392	39,824	274,907
Net profit after tax	-	-	(2,245)	(2,245)
Other comprehensive income for the year	-	(16,507)	-	(16,507)
Normal Dividends paid	-	-	(710)	(710)
Special Dividend paid	-	-	(7,000)	(7,000)
Transfer forestry reserve	-	(7,077)	7,077	-
Transfer carbon reserve	-	(6,769)	6,769	-
Balance at 30 June 2026	15,691	189,039	43,715	248,445

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

Statement of Financial Position

As at 30 June 2026

EQUITY	NOTE	2026 \$'000	2025 \$'000
Share Capital	9	15,691	15,691
Forestry reserve	10	97,198	104,275
Land revaluation reserve	10	66,788	77,369
Hedging reserve	10	(1,667)	1,511
Carbon credit reserve	10	26,721	36,237
Retained earnings	11	43,714	39,824
TOTAL EQUITY		248,445	274,907
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,844	3,269
Other current liabilities		344	377
Employee Provisions		333	290
Derivative financial instruments	12	1,323	34
Provision for taxation	14	4,151	3,115
Lease liabilities		165	148
Total current liabilities		9,160	7,233
NON-CURRENT LIABILITIES			
Term borrowings	13	48,500	54,000
Lease liabilities		102	96
Derivative financial instruments		1,083	9
Deferred tax liability	15	60,892	68,245
Total non-current liabilities		110,577	122,350
TOTAL LIABILITIES		119,737	129,583
TOTAL EQUITY PLUS LIABILITIES		368,182	404,490

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

CURRENT ASSETS	NOTE	2026 \$'000	2025 \$'000
Cash and cash equivalents		2,817	1,315
Trade and other receivables		1,885	3,682
Inventories		2,611	1,469
Prepayments		40	31
GST refund		123	560
Derivative financial instruments	12	56	846
Assets held for sale	8	-	2,862
TOTAL CURRENT ASSETS		7,532	10,765

NON-CURRENT ASSETS

Derivative financial instruments	12	35	1,296
Property, plant and equipment	7	120,611	130,967
Biological assets	5	201,783	210,105
Investments		2	2
Intangibles – computer software		18	2
Intangibles – New Zealand carbon credits	6	38,201	51,353
Total non-current assets		360,650	393,725
TOTAL ASSETS		368,182	404,490

For and on behalf of the Board of Directors:

S A Mason
Chairman



Date 22.09.2026

K A Posa
Director



Date 22.09.2026

Statement of Cash Flows

For the Year Ended 30 June 2026

	NOTE	2026 \$'000	2025 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>CASH WAS PROVIDED FROM</i>			
Receipts from customers		61,387	57,184
Interest received		48	59
		61,435	57,243
<i>CASH WAS DISBURSED TO</i>			
Payments to suppliers and employees		50,089	45,632
Interest paid		1,965	1,998
Income tax/subvention		3,104	1,767
		55,158	49,397
NET CASH INFLOWS FROM OPERATING ACTIVITIES	17	6,277	7,846
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>CASH WAS PROVIDED FROM</i>			
Sale of property, plant and equipment		2,774	17
Sale of carbon credits		9,426	5,370
		12,200	5,387
<i>CASH WAS DISBURSED TO</i>			
Purchase of property, plant and equipment		912	627
Purchase of Biological assets		2,572	2,565
Purchase of carbon credits		65	-
		3,549	3,192
NET CASH INFLOWS FROM INVESTING ACTIVITIES		8,651	2,195

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

	2026 \$'000	2025 \$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>CASH WAS PROVIDED FROM</i>		
Proceeds from borrowings	4,300	11,500
	4,300	11,500
<i>CASH WAS DISBURSED TO</i>		
Repayment of borrowings	9,800	8,200
Lease repayments	157	153
Dividends paid	7,710	13,134
	17,667	21,487
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES	(13,367)	(9,987)
Net Increase in Cash Held	1,561	54
Cash and short-term deposits at the beginning of the year	1,315	2,210
Net foreign exchange difference	(59)	(949)
CASH AND SHORT-TERM DEPOSITS AT THE END OF THE YEAR	2,817	1,315



ACCOUNTING POLICY

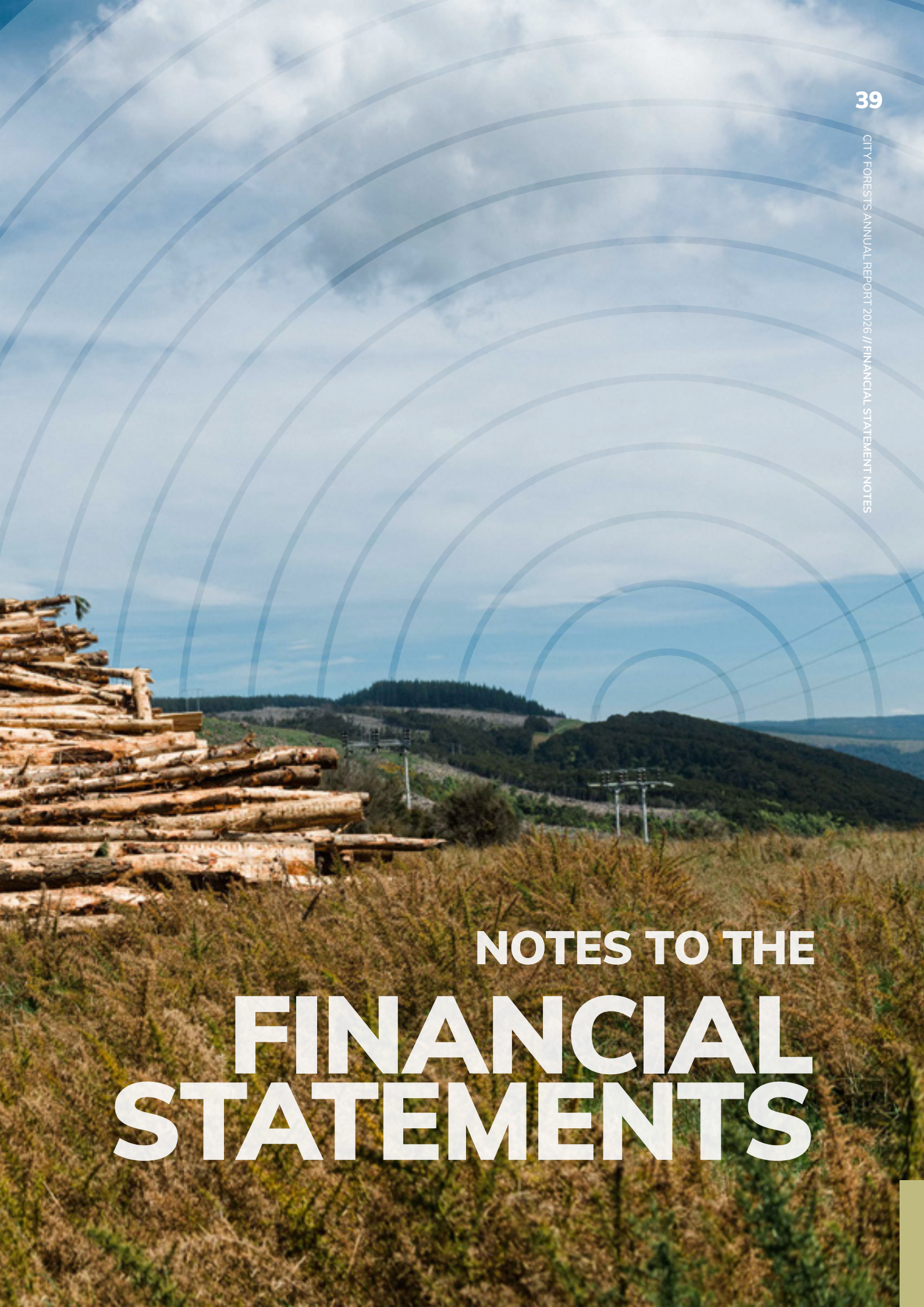
The statement of cashflows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income via profit or loss.

'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.





NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

For the Year Ended 30 June 2026

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 22 September 2026.

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.

Standards amended or issued during the year

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

Accounting Standards issued but not yet effective and not early adopted

The new standards and amendments not yet effective for the 30 June 2026 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 1 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 nor 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.

3. REVENUE

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Sales revenue	59,320	57,691
Other revenue	1,031	699
Reversal of land impairments	-	5,037
Reversal of building impairment	88	6
	60,439	63,433



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 2026 \$'000	As at 30 June 2025 \$'000
Audit fees – audit of financial statements	176	193
Donations	13	19
Net Impairment loss on valuation of land	295	-
Research expenditure	65	129
Cost of bush applied	11,333	10,664
Shipping costs	18,474	17,762
Other operating expenses	4,045	3,420
	34,401	32,187

5. BIOLOGICAL ASSETS

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Balance at the beginning of the year	210,105	210,248
ADD		
Costs capitalised in establishing forests during the year	2,945	3,108
Biological Assets revaluation	66	7,422
LESS		
Cost of trees harvested at fair value	(11,333)	(10,673)
	201,783	210,105

The Directors of City Forests Limited revalue its biological assets annually as at 30 June. A peer review of the valuation process and key inputs is conducted by Indufor Asia Pacific Ltd.

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% (2025 6.4%).

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% (2025 6.4% pre-tax); a +/- 50 basis point movement in the discount rate would change the valuation by

+\$19.3 mil / -\$16.3 mil (2025 +\$13.1 mil / -\$11.9 mil). A 10% increase or decrease in assumed log prices would change the valuation by +\$9.4 mil / -\$9.2 mil (2025 +\$16.4 mil / -\$16.4 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 2026, the Company owned stands of trees on 20,103 hectares of total productive land within a total area of land holdings (including freehold, lease, Joint Venture & Forestry Right) of 25,220 hectares. During the year the Company harvested approx. 409,407 m³ of wood 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.

During the 2026 financial year, a significant wind event impacted areas of the Company's forests. As a result, the Company has lodged four Temporary Adverse Event Suspension applications with the Ministry of Primary Industries under the New Zealand Emissions Trading Scheme. As at 30 June 2026, the applications remained under assessment and the timing and outcome of any decisions were uncertain. Accordingly, no adjustment has been made to the Company's biological asset valuation for any potential impact arising from those applications beyond currently scheduled harvest activity.

The 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.

Change in valuation methodology

During the year ended 30 June 2026, the Company adopted a revised valuation methodology for its biological assets using a multi-rotation discounted cash flow model. Management and Board concluded that the revised methodology provides a more representative measure of fair value as it incorporates multiple harvest rotations and a longer-term assessment of expected cash flows from the forest. The change was made following improvements in valuation modelling capability and the availability of information supporting a multi-rotation assessment of value.

The Company continues to measure biological assets at fair value less costs to sell in accordance with NZ IAS 41 Agriculture. The revised methodology represents a change in valuation technique used to estimate fair value rather than a change in accounting policy. The valuation remains classified as a Level 3 fair value measurement under NZ IFRS 13 Fair Value Measurement.

Management considers the revised methodology is inherently more detailed in its analysis of inputs and only represents a change in accounting estimate arising from a change in valuation technique. Consistent with NZ IFRS 13.66, changes in valuation techniques are accounted for as changes in accounting estimates in accordance with NZ IAS 8. The effects of the revised methodology have therefore been recognised prospectively in the current reporting period.

Comparative information has not been restated. The previous valuation methodology was based on a materially different approach and was not capable of generating equivalent multi-rotation outputs. As a result, management was unable to reliably recreate comparable prior-period valuations using the revised methodology.

A peer review of the valuation process was conducted by Indufor Asia Pacific. The peer review did not seek to complete examination of financial records or confirm derivation of input costs, price assumptions or review the harvest strategy or allocation assumptions for applicability to the business. The peer review confirmed subject to the inputs and assumptions being correct, the valuation is calculated correctly.



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 determined using the discounted cash flow methodology and in using this method, financing 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 within Level 3 of the fair value hierarchy.

The valuation of the biological assets has been performed using cashflows from a perpetual forest estate model in which forest value is derived through the contribution of both the current and future rotations. 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.

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.

There were carbon credit sales for the financial year of 200,000 units. (2025 100,000 units).

As at 30th June 2026, 1,052,206 units were unsold (2025 1,239,750 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 2026 \$'000	As at 30 June 2025 \$'000
Balance at the beginning of the year	51,353	45,776
Plus revaluations	(4,166)	6,832
Plus/(less) change in value of safe carbon units	375	4,115
Less disposals	(9,426)	(5,370)
Plus additions/allocations	65	-
	38,201	51,353
	\$	\$
Unit price	54.50	58.25

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 Indufor.

During the 2026 financial year, a significant wind event impacted areas of the Company's forests. As a result, the Company has lodged four Temporary Adverse Event Suspension applications with the Ministry of Primary Industries under the New Zealand Emissions Trading Scheme.

As at 30 June 2026, the applications remained under assessment to the extent that the timing and outcome of any decisions were uncertain. Accordingly, no adjustment has been made to the Company's safe carbon calculation or carbon asset valuation for any potential impact arising from those applications. The safe carbon calculation represents management's best estimate based on information available at balance date and reflects current harvest forecasts, existing ETS settings and applicable Forestry Management Approach yield tables. Future adjustments may be required in subsequent reporting periods once the outcome of the MPI applications become known.

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	2026 #	2025 #
Held at Fair value	700,937	881,597
Held at Nil value	351,269	358,153
Total Units at end of year	1,052,206	1,239,750

Units – Post 1989

Opening	1,239,750	1,338,370
Credits Issued	5,953	-
Per Emissions Trading Register	1,245,703	1,338,370
Units acquired	6,503	-
Units sold	(200,000)	(98,620)
Fair Value NZU's	1,052,206	1,239,750

Units - Pre 1990

Opening balance	-	1,380
Units sold	-	(1,380)
Closing balance all units at end of year	-	-
Total units at end of year	1,052,206	1,239,750
Less Units at Nil value	(351,269)	(358,153)
Held at Fair Value	700,937	881,597

\$
\$'000

Value applied to risk free units @ \$54.50 (2025 \$58.25)	38,201	51,353
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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.

2026

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	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Cost or Valuation

Balance at beginning of year	125,279	419	11,073	1,769	1,379	236	97	1,003	141,255
Purchases	481	-	257	28	11	30	70	181	1,058
Revaluation	(10,268)	-	-	-	-	-	-	-	(10,268)
Disposals/Transfer	-	-	-	(17)	(48)	-	(167)	-	(232)
Balance at end of year	115,492	419	11,330	1,780	1,342	266	-	1,184	131,813

Accumulated depreciation/impairment

Balance at beginning of year	1,220	275	5,887	1,198	765	180	-	764	10,289
Depreciation	-	11	263	103	93	34	-	156	660
Net Impairment	295	-	-	-	-	-	-	-	295
Disposals/Transfer	-	-	-	(9)	(33)	-	-	-	(42)
	1,515	286	6,150	1,292	825	214	-	920	11,202
BALANCE AT END OF YEAR	113,977	133	5,180	488	517	52	-	264	120,611
Carrying amounts of revalued assets if measured under the cost model	49,407								

The company has had its land assets independently valued at 30 June 2026 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 2026 was a decrease of \$10,563k (devalue to reserve of (\$10,268k) plus net impairments of (\$295k) (2025 increase of \$31,686k). The market value of land decreased during the year reflecting an updated area statement of productive areas. All other asset classes are shown at cost.

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



ACCOUNTING POLICY

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

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

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

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

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

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

2025

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	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
Balance at end of year	125,279	419	11,073	1,769	1,379	236	97	1,003	141,255

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
Net Impairment	(5,037)	(6)	-	-	-	-	-	-	(5,043)
Disposals/Transfer	-	-	-	(86)	(80)	(27)	-	-	(193)
	1,220	275	5,887	1,198	765	180	-	763	10,288
BALANCE AT END OF YEAR	124,059	144	5,186	571	614	56	97	240	130,967

Carrying amounts
of revalued assets if
measured under the
cost model

48,925

8. ASSETS HELD FOR SALE

	Land \$'000	Buildings \$'000	As at 30 June 2026 \$'000
Balance at beginning of year	1,378	1,484	2,862
Impairment reversal	-	88	88
Revaluation	-	-	-
Disposal/ Transfer	(1,378)	(1,572)	(2,950)
BALANCE AT END OF YEAR	-	-	-

Three lifestyle properties were categorised as Assets held for Sale at June 2025. The properties each contained a residence(s) and various farm out buildings. The properties have been subdivided off existing forestry land acquired in prior years. The properties were settled during the financial year. The impairment reversal recognised of \$88k 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 2026 \$'000	As at 30 June 2025 \$'000
Balance at the beginning of the year	15,691	15,691
BALANCE AT END OF YEAR	15,691	15,691

The Company has issued 24,779,775 (2025 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 2026 \$'000	As at 30 June 2025 \$'000
Balance at beginning of the year	104,275	105,329
Biological assets valuation	(7,077)	(1,054)
BALANCE AT THE END OF THE YEAR	97,199	104,275

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.

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Balance at beginning of the year	1,511	77
(Loss)/gains on cashflow hedges	(3,762)	1,434
Hedging gains reclassified to profit or loss	584	-
BALANCE AT THE END OF THE YEAR	(1,667)	1,511

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments relating to foreign exchange transactions that have not yet occurred. The hedging gains/losses reclassified to profit or loss during the year are included in financial expense in the statement of comprehensive income.

Land Revaluation Reserve

Balance at beginning of the year	77,369	50,721
Forestry land revaluations	(10,581)	26,648
BALANCE AT THE END OF THE YEAR	66,788	77,369

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

Carbon Credit Reserve

Balance at beginning of the year	36,237	32,241
(Loss)/gain in carbon credits above initial recognition value	(2,747)	7,852
Transfer to retained earnings re sale of carbon credits	(6,769)	(3,856)
BALANCE AT THE END OF THE YEAR	26,721	36,237

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 2026 \$'000	As at 30 June 2025 \$'000
Balance at the beginning of the year	39,824	38,342
Net (loss)/profit for the year	(2,245)	9,706
Dividend distributions	(7,710)	(13,134)
Transfer from forestry reserve	7,077	1,054
Transfer from carbon reserve	6,769	3,856
BALANCE AT THE END OF THE YEAR	43,715	39,824

Currency derivatives

Currency Risk

At 30 June 2026, the Company held USD 1,259,690 (NZD 2,224,815) (2025 USD 681,350 (NZD 1,121,563)) in cash and cash equivalents. Consequently, the Company is exposed to currency risk in relation to movements in the NZD/USD exchange rate, which may affect the reported value of those balances.

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	Foreign currency	Contract value	Fair value	Fair value
	2026	2026 FC'000	2026 NZD'000	2026 NZD'000	2025 NZD'000
Cashflow hedges					
Sell USD					
Current	.5964	16,600	27,801	(1,267)	811
Non-current	.5892	26,200	44,425	(1,048)	1,288
				(2,315)	2,099

2026	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs	Total
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Financial Assets

Trade and other receivables	1,885	-	-	-	-	-	1,885
Derivative financial instruments	3,563	-	3,152	350	-	-	7,065
	5,448	-	3,152	350	-	-	8,950

Financial Liabilities

Trade and other payables	3,187	-	-	-	-	-	3,187
Derivative financial instruments	24,238	26,002	14,920	-	-	-	65,160
Borrowings	-	-	-	-	-	48,500	48,500
	27,425	26,002	14,920	-	-	48,500	116,847

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 following parameters are used:

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 2026 was determined as follows:

30 June 2026	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%	\$'000
Gross carrying amount –	1,812	63	-	-	1,875
Trade receivables	-	-	-	-	-
Loss allowance	-	-	-	-	-

30 June 2025

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	-	-	-	-	-

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.

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 .5662.

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
Financial Assets					
Derivatives					
Currency Hedges – Sell USD	72,226	(5,963)	-	4,879	-
Other Financial Assets	48	-	5	-	(4)
Total increase/(decrease)		(5,963)	5	4,879	(4)

1. Accounts receivable within City Forests Limited include \$.48 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. The carrying value of the derivative has been calculated based on rates on each individual contract.

Fair value of financial instruments

Fair value measurements recognised in the statement of financial position.

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

- Level 1** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3** Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2026			
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	TOTAL NZ \$'000
Financial Assets				
Derivative financial assets	-	91	-	91
	-	91	-	91

Financial Liabilities				
Derivative financial liabilities	-	2,406	-	2,406
	-	2,406	-	2,406

	2025			
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	TOTAL NZ \$'000
Financial Assets				
Derivative financial assets	-	2,142	-	2,142
	-	2,142	-	2,142

Financial Liabilities				
Derivative financial liabilities	-	43	-	43
	-	43	-	43



ACCOUNTING POLICY

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and commodity prices. The Company uses foreign exchange forward 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.

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Dunedin City Treasury loan	48,500	54,000
	48,500	54,000

There is no security over the Dunedin City Treasury loan. This loan facility is \$60m (2025 \$60m) evergreen.

The effective rate of interest for the Dunedin City Treasury Limited loan facility, ranged between 3.75% and 4.25% (2025 3.97% – 4.80%).

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	48,500	54,000
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The repayment period on the term borrowings is as follows:

Current	-	-
Non Current	48,500	54,000
	48,500	54,000



ACCOUNTING POLICY

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the statement of comprehensive income via profit or loss using the effective interest method.

14. INCOME TAX

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Net (loss)/profit from continued operations	(3,161)	11,468
(Loss)/profit before income tax	(3,161)	11,468
Tax thereon at 28%	(885)	3,211
PLUS/(LESS) THE TAX EFFECT OF DIFFERENCES		
Expenditure not deductible for taxation	82	3
Income not assessable for taxation	(113)	(1,410)
Under / (over) tax provision in prior years	-	(15)
Deferred tax on buildings adjustment	-	(26)
Tax effect of differences	(31)	(1,449)
Tax expense	(916)	1,762
TAX EXPENSE MADE UP AS FOLLOWS:		
Continued operations	(916)	1,762
	(916)	1,762
Effective tax rate	29%	15.4%
REPRESENTED BY		
Current tax provision	4,151	3,115
Tax on carbon credits sold	(2,639)	(1,503)
Deferred tax provision	(2,425)	192
Prior period Current tax adjustment	(11)	(21)
Prior period Deferred tax adjustment	8	(21)
	(916)	1,762

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.

2026

	OPENING BALANCE SHEET	CHARGED TO EQUITY	CHARGED TO INCOME	CLOSING BALANCE SHEET ASSETS	LIABILITIES	NET
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	215	-	48	-	263	263
Employee provisions	(99)	-	9	(90)	-	(90)
Forest	40,551	-	(2,752)	-	37,799	37,799
Capitalised forestry costs	12,888	-	269	-	13,158	13,158
Revaluations of foreign exchange contracts	587	(1,236)	-	(649)	-	(649)
Revaluation of carbon credits	14,111	(3,701)	-	-	10,410	10,410
Other	(9)	-	10	-	1	1
Balance at the end of the year	68,245	(4,937)	(2,416)	(739)	61,631	60,892

2025

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)
Balance at the end of the year	65,935	2,138	172	(99)	68,344	68,245



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 2026 \$'000	As at 30 June 2025 \$'000
Purchases of goods and services from the Dunedin City Council:		
Rates and property rentals	43	40
Other	2	3
	45	43
Charges of goods and services to the Dunedin City Council:		
Chinese New Year costs	1	1
Purchases of goods and services from Delta Utility Services Limited:		
Roading & Earthmoving Services	13	-
Dunedin City Holdings Limited		
Normal dividends	710	3,134
Special dividend	7,000	10,000
	7,710	13,134
Subvention payments/tax compensation		
Dunedin Stadium Property Limited	3,104	1,776
Aurora Energy Limited	-	(9)
	3,104	1,767
Subvention payments are calculated based on the tax effect of the losses utilised.		
Loan from Dunedin City Treasury Limited as at balance date		
Loans paid during the year	9,800	8,200
Loans received during the year	4,300	11,500
Interest payable to Dunedin City Treasury Limited as at balance date	120	105
Interest receivable from Dunedin City Treasury Limited as at balance date	10	11
Interest paid during the year	2,093	2,114
Interest rebate received	(19)	(27)
Net interest	2,074	2,087

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Other related party transactions		
Samiam Notas Limited – Scott A Mason, Chairman	82	75
Primeport Timaru Limited – Phillip Melhopt	41	38
Southern Wood Council – Grant Dodson	2	5
Forest Owners Association – Grant Dodson	5	9
Orokonui Ecosanctuary – Selwyn Chalmers	40	30
Predator Free Dunedin – Selwyn Chalmers	125	60
Radiata Pine Breeding Company – Selwyn Chalmers	23	21

Compensation of key management personnel

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

	As at 30 June 2026 \$'000	As at 30 June 2025 \$'000
Salaries and Short-term benefits	1,477	1,403
	1,477	1,403

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 2026 \$'000	As at 30 June 2025 \$'000
Net (loss)/profit for the year	(2,245)	9,706
<i>Items Not Involving Cash Flows</i>		
Depreciation	680	702
Depreciation recovered	(94)	(15)
Net loss on assets	176	10
Depletion of forest (cost of bush)	11,333	10,673
Deferred tax	(2,416)	172
Biological assets revaluation	(66)	(7,422)
Write (up)/down value of land/building for sale	207	(5,043)
Interest portion of lease liability	6	7
Net foreign exchange difference	59	949
Deferred tax movement to reserve	(2,639)	(1,504)
OTHER NON-CASH ITEMS		
<i>Impact of Changes in Working Capital Items</i>		
Decrease/(Increase) in accounts receivable	1,797	(725)
(Increase) in inventories	(1,515)	(732)
(Increase)/Decrease in prepayments	(9)	19
Increase/(Decrease) in tax due	1,036	1,327
(Decrease)/Increase in accounts payable	(403)	48
(Decrease) in other current liabilities	(68)	(43)
Increase/(Decrease) in other current assets	438	(283)
Net cash inflows/(outflows) from operating activities	6,277	7,846

18. CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2026 the Company has capital commitments of nil (2025 \$1,050,000).

19. CONTINGENT ASSETS OR LIABILITIES

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas in accordance with New Zealand Emission Trading Scheme Regulations. A proportion of carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas. As at 30 June 2026 and similar to 30 June 2025, 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. (2025 \$nil.) There are no other contingent assets. (2025 \$nil).

20. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Non cash changes						
	2026	Cashflow	Capitalised Interest	Foreign Exchange Movement	Fair Value Changes	2026
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2026						
Long term borrowings	54,000	(5,500)	-	-	-	48,500
	54,000	(5,500)	-	-	-	48,500

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

21. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred subsequent to balance date. (2025 Properties shown as assets held for sale were conditionally contracted for sale at balance date).

Statement Of Service Performance

For the Year Ended 30 June 2026

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

PERFORMANCE MEASURE	OUTCOME
1a. The Company will achieve a 5.5% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis	Three year rolling average return on shareholders' funds is 1.6%. Results are impacted by estate wind damage, fuel costs and cyclical lows in the international economic cycle.
1b. A review of the Company's long term strategic plan will be completed each year, which targets a 5.5% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis.	Strategy day held on 24th March 2026. 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 the plan incorporates a below target return on shareholders' funds of; 1.7% for the first 3 years measured on a forecast 3 year rolling average basis.
2a. 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.
2b. The percentage of annual supply to the domestic market by volume will be tracked.	Domestic log production was 29% by volume. (26% last year).
2c. The Company will participate in the New Zealand ETS and may realise returns from the sales of carbon stored in the Company forests in compliance with its Carbon Policy.	The Company continues to participate in the ETS. Carbon sales were made during the year of 200,000 units. The Company was compliant with its Carbon Policy.
3a. The Company's annual harvest volumes as detailed in the strategic plan will be within 30% of projected long term sustainable yield.	The annual harvest from the Company Forest estate during the year was 409,407m³ including additional billet wood and slash recovered. This is 114.7% of plan volume of 356,966m³ which was the FY2026 sustainable harvest level. Sustainable harvest levels in the long-term strategic plan for the next 3 years are; 373k m³, 373k m³ and 373k m³. This is the updated sustainable harvest level.
3b. A forest Bio-security surveillance program will be in place as part of the National Bio-security surveillance program to assess the forest estate for pests and diseases.	The City Forests, forest health surveillance program was conducted during the 2025 – 2026 year and a report received.
3c. The annual fire plan will be updated and operational by 1 October for each fire season.	Fire plan update was completed and distributed in September 2025 prior to the start of the fire season.

PERFORMANCE MEASURE	OUTCOME						
3d. 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.						
3e. 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 and forest gates are installed at forest access points.						
4a. The Company will participate in industry research consortia (via the Forest Levy) to ensure research objectives are in line with Company Strategy and to gain financial leverage to achieve research objectives.	The Company has paid the Forest Growers Levy. Two staff are members of committees (through 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 research to be undertaken.						
4b. The implementation of research outcomes into operational management plans will be tracked.	Management plans are updated to reflect current management practices which are informed by research outcomes, i.e. Poison and mechanised thinning implementation with reporting and tracking of operational progress to Board.						
5a. The Company will maintain supply arrangements with Otago and Southland wood processors provided customers match (or better) alternative supply options. Annual supply volumes to the three largest wood processors customers will be tracked and reported.	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). Major wood processors were supplied the following volumes during the period: <table> <tr> <td>Pan Pac:</td><td>43,622m3</td></tr> <tr> <td>Daiken:</td><td>34,687m3</td></tr> <tr> <td>Pioneer Energy:</td><td>9,915m3</td></tr> </table>	Pan Pac:	43,622m3	Daiken:	34,687m3	Pioneer Energy:	9,915m3
Pan Pac:	43,622m3						
Daiken:	34,687m3						
Pioneer Energy:	9,915m3						
5b. The annual volume of wood supplied for bio-energy uses (including firewood) will be tracked and reported.	Bio-energy supply: 23,290m3						
6a. 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 12.4 lost time injuries per 1,000,000 hours.						

PERFORMANCE MEASURE	OUTCOME
6b. 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.	80 random tests were conducted during the period. 2.5% of tests were recorded as positive.
6c. Forest Stewardship Council Certification of the Forest Estate will be maintained. (Currently FSC®)	Forest Stewardship Council Certification was maintained following audit in 2025.
6d. 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 \$40,000 to Orokonui Eco-Sanctuary, \$65,000 to Predator Free Otago, and \$10,000 to Dunedin Wildlife Hospital, to contribute towards conservation of rare threatened and endangered (RT&E) species on and around the Company estate.
7a. The Company will 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.
7b. 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 2026 two modern apprentices were employed in Company operations.
8a. The Company will maintain a forest access permit system, track and report on forest recreational use statistics.	Recreation use is monitored through forest access permit issuance. 271 forest access permits were issued during the year.
9a. Productivity improvement and incremental expansion of the forest estate will be part of Company Strategy. The area of acquired land will be reported annually.	The company had one land settlement during the period.
9b. 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.	No significant issues arose that would compromise Council community outcomes, however communication channels were maintained with the shareholder such that the shareholder is well informed of Company activities.
9c. Any such matters were reported to the shareholder within 24 hours. *The objective of the performance measure is to report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.	A number of media interactions occurred throughout the period and the shareholder and board were communicated to within 24 hours informing them of the matter.

PERFORMANCE MEASURE	OUTCOME
9d. Ensure that all direct employees are paid at the living wage or above.	All staff remuneration is greater than the living wage.
9e. Measure and publicly report in our Annual Report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets.	The carbon emission and waste reduction strategy (2022-2030) has been established. GHG emissions are measured and reported. The strategy does not contain quantified reduction targets for FY2026.

FINANCIAL FORECASTS	\$'000	ACTUAL	\$'000
10a EBITDA	10,500	EBITDA	(558)
10b Net Profit after tax	5,800	Net Profit after tax	(2,245)
10c Shareholders' funds to total assets	66.8%	Shareholders' funds to total assets	67.5%
10d Normal Dividend	1,900	Normal Dividend	710
10e Special Dividend	7,000	Special Dividend	7,000
10g Cashflow from Operations	2,100	Cashflow from Operations	6,277
10h Capital expenditure	1,600	Capital expenditure	829
10i Term borrowings	49,700	Term borrowings	48,500
10j Shareholders funds	237,200	Shareholders funds	248,445

The 3-year average return on equity (closing equity + dividends less opening equity/opening equity) has been calculated as 5.9% for 2026 (2025: 5.4%).

EBITDA & NPAT is below forecast as a result of four factors. Firstly the October 2025 wind event that damaged 532ha of the estate, secondly increased operational costs as a result of the wind event and the Iran War fuel crisis, third a devaluation of forest land as a result of market factors and fourth a devaluation of forest crop value as a result of the wind damage and general market factors. Term borrowings were less than forecast as, in accordance with its dividend policy, the Company did not pay a normal dividend. A special dividend was paid as forecast funded by planned sales of the carbon asset.

Independent Auditors Report

For the Year Ended 30 June 2026



Independent Auditor's Report

To the readers of City Forests Limited's financial statements and performance information for the year ended 30 June 2026

The Auditor-General is the auditor of City Forests Limited (the Company). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

Opinion

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, 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 material accounting policy information and other explanatory information on pages 32 to 65; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 66 to 69.

In our opinion:

- the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026 and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

Independent Auditors Report

For the Year Ended 30 June 2026

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company 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 performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information 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 there is an intention to liquidate the Company or to cease operations, or there is 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 performance information

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

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

Independent Auditors Report

For the Year Ended 30 June 2026

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

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 performance information, 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 information we audited 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 performance information, including the disclosures, and assess whether the performance information 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.

Independent Auditors Report

For the Year Ended 30 June 2026

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 performance information consisting of statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and performance information 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 performance information, 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 performance information 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)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.



Chantelle Gernetzky
The Audit Office
On behalf of the Auditor-General
Christchurch, New Zealand
22 September 2026



FORESTRY AND THE PRODUCTION OF WOOD HELPS MITIGATE GLOBAL CLIMATE CHANGE





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