REPORTING AND FINANCIAL STATEMENTS

Overview

The Board and management are committed to ensuring that the Company and its subsidiaries maintain best practice governance principles and adhere to the highest ethical standards. The basis for these is set out in a Board Charter and in policies and procedures established and maintained by the Company.

Role of the Board and management

The Board is responsible to the shareholding Ministers for directing and supervising the management of the Company. This includes establishing the Company's objectives in line with the Statement of Core Purpose agreed with the shareholders, developing major strategies, managing risks, determining key policies and monitoring management's performance.

The Board delegates management of the day-to-day affairs and responsibilities of the Company to the Chief Executive. The Chief Executive leads the Executive Management Team whose role it is to implement the strategies for achieving the Company's objectives. A formal delegated authorities policy sets the operational and expenditure delegations within which the Chief Executive and management operate.

Appointment of Directors and composition of the Board

Under the Company's Constitution, the Board can comprise up to nine non-executive Directors. Directors are appointed by the shareholding Ministers – the Minister of Finance and the Minister of Science and Innovation. The term is generally three years with reappointment for further terms at the discretion of the shareholding Ministers. The shareholding Ministers also appoint the Chairman and Deputy.

On appointment, Directors receive guidelines on the shareholders' expectations, which are in addition to those required by the Companies Act 1993. They also receive a Director's Manual which contains key information on the Company and its subsidiaries, the Board Charter, the Statement of Core Purpose, Terms of Reference for the committees of the Board, details of directors' and officers' insurance, the Deed of Indemnity and copies of relevant Acts. New Directors also have the benefit of an induction programme to provide them with an understanding of the Company's operations, business and the markets in which it operates.

The Board had 11 formal meetings during the year ended 30 June 2014. An additional separate meeting was held in April 2014 with senior management to discuss the Company's strategic direction and long-term goals, as part of the development of the Company's Statement of Corporate Intent for the 2015 financial year. Telephone conference calls were also held during the year to discuss particular issues.

There was an ongoing programme of site visits and presentations to the Board by management and science staff to keep Directors informed of key aspects of the Company's activities.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in carrying out its responsibilities under the relevant Acts. Members of the committee were Jane Taylor (Chair), Tom Campbell, Belinda Vernon and James Johnston. The Chief Executive, the Chief Financial Officer, the Internal Auditor and representatives of Deloitte, the external auditors, are normally in attendance.

The committee met three times during the past financial year. The committee reviews the external audit plan and reports, the risk and internal control assessment document, the internal audit plan and reports, and the six-monthly statutory compliance reports. It also reviews and recommends to the full Board, the approval of the half-year and annual financial statements and amendments to key policies. Minutes of the committee meetings were tabled at the subsequent Board meetings and key items were discussed and resolved by the full Board.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the recruitment of the Chief Executive, the review and setting of the Chief Executive's remuneration and the framework for the remuneration of the Executive Managers and the review of their performance. Members of the committee were Tom Campbell, Ken Shirley and Claire McGowan. The Chief Executive and the General Manager, Human Resources, are normally in attendance.

The committee met 3 times during the year. Matters discussed by the committee were reported back at the subsequent Board meeting and key items were discussed and resolved by the full Board.

Directors' meetings

Meetings in the year to 30 June 2014

	Board Meetings		Audit and Risk		Remuneration		Science		Health, Safety and Environment	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tom Campbell	11	11	3	3	3	3	2	2	2	2
Ken Shirley	11	11			3	3				
James Johnston	11	10	3	3					2	2
Claire McGowan	11	11			3	3	2	2		
Jane Taylor	11	9	3	3					2	2
Belinda Vernon	11	11	3	3					2	2
Steve Weaver	11	10					2	2		

Science Committee

The Science Committee provides guidance to the Board on the direction, conduct and effectiveness of research activities undertaken by the Company. The members of the committee were Steve Weaver (Chair), Claire McGowan and Tom Campbell, with the Chief Executive and the Director of Research normally in attendance. The committee met twice in the financial year in conjunction with meetings of the Science Strategy and User Advisory Panel (SSUAP). Recommendations made by the SSUAP were considered by the Science Committee, discussed by the full Board and implemented as appropriate by management.

Health, Safety and Environment

This committee assists the Board in carrying out its responsibilities in respect of the health, safety and environmental obligations of the Company. The members of the committee were Belinda Vernon (Chair), Tom Campbell, Jane Taylor and James Johnston. The Chief Executive, General Manager Human Resources, Health and Safety Advisor, Chief Financial Officer and Environmental Compliance Officer are normally in attendance.

The committee met twice in the financial year. Matters discussed by the committee were reported back at the subsequent Board meeting and discussed by the full Board.

Conflicts of interest

All Directors are required to disclose any conflicts of interest or if they have an interest in any transaction, in which case they will generally not be entitled to partake in the discussion or vote in relation to the transaction. To facilitate the disclosure of interests and identification of any actual or perceived conflicts of interest, the Company's Disclosure of Interests Register is reviewed and updated at the beginning of each Board meeting.

Provision of professional services

Except in exceptional circumstances, Directors will not provide professional services to the Company. This is to avoid a conflict of interest – actual or perceived. No Directors provided professional services to the Company during the year.

Independent professional advice

Directors are entitled, with approval from the Chairman, to obtain independent professional advice relating to the affairs of the Company or to their duties, at the Company's expense. No independent professional advice was sought or obtained during the year.

Board evaluation

The Board evaluates its own performance and makes available the results of the evaluation to the shareholders' representative each year.

For the year ended 30 June 2014

The Directors have pleasure in presenting the audited financial statements of Institute of Geological and Nuclear Sciences Limited for the year ended 30 June 2014. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the Financial Reporting Act 1993.

The Auditor-General is the statutory auditor pursuant to section 21 of the Crown Research Institutes Act 1992. The Auditor-General has appointed Deloitte to audit the financial statements and to express an opinion on them. Their report is set out on page 79.

Principal activity

Institute of Geological and Nuclear Sciences Limited's principal activity is to conduct scientific research, consultancy services, technology transfer and product development in earth sciences and isotope technologies in accordance with the principles for the operation of Crown Research Institutes set out in sections 4 and 5 of the Crown Research Institutes Act 1992.

Changes to Board composition

Jane Taylor retired from the Board on 30 June 2014 and Sarah Haydon was appointed to the Board on 1 July 2014.

Remuneration of Directors

Directors' fees are set by the shareholding Ministers annually. Fees paid to Directors during the year were:

	2014 $	2013 $
Tom Campbell	46,000	46,000
Ken Shirley	28,750	28,750
James Johnston	23,000	–
Claire McGowan	23,000	23,000
Jane Taylor	23,000	23,000
Belinda Vernon	23,000	23,000
John Walters	–	23,000
Steve Weaver	23,000	23,000

Employee remuneration

In accordance with section 211(1)(g) of the Companies Act 1993, the numbers of employees who received remuneration and other benefits totalling $100,000 or more, in $10,000 bands, during the year were:

$000s	2014	2013
100-110	19	28
110-120	29	24
120-130	12	18
130-140	20	12
140-150	12	15
150-160	7	10
160-170	8	1
170-180	1	–
180-190	3	3
190-200	3	4
200-210	1	1
210-220	–	1
230-240	2	2
240-250	3	1
250-260	1	–
260-270	–	1
270-280	1	1
300-310	–	1
310-320	1	–
320-330*	1	–
510-520*	-	1

*Chief Executive

Subsidiaries

The Company has five subsidiary companies:
IsoScan Limited
Geological Surveys (NZ) Limited
IsoScan Food Limited
Geological Risk Limited
GNS Science International Limited

Tom Campbell and Mike McWilliams are Directors of each of the subsidiary companies.

Dividends

A dividend of $250,000 was declared on 23 June 2014 in respect of the 2014 financial year.

Directors' indemnity

The Company has insurance cover for Directors in respect of any act or omission in their capacity as a Director of the Company. Directors have declared their interests in a Deed of Indemnity dated 15 February 2012, whereby the Company indemnifies Directors against any liability for any act or omissions incurred in their capacity as a Director.

Events subsequent to balance date

The Directors are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in this report that has, or may have, a significant effect on the operation of the Company.

Certifications

The Directors confirm that the Company has operated in accordance with the Crown Research Institutes Act 1992 and the Companies Act 1993 during the year.

The activities undertaken by the Company in the year are in accordance with the GNS Science Statement of Core Purpose.

No written direction was received from either shareholding Minister in the year.

For and on behalf of the Board

Tom Campbell
Chairman
27 August 2014

Note: Directors' disclosures can be found on page 48.

Statement of Comprehensive Income

For the year ended 30 June 2014

in thousands of New Zealand dollars	Note	**Group Actual 2014**	Group Budget 2014	Group Actual 2013	**Company Actual 2014**	Company Actual 2013
Revenue						
Research contracts	17	**45,127**	43,407	41,362	**45,127**	41,362
Technology transfer	3	**22,508**	25,326	21,384	**22,150**	21,229
GeoNet	17	**9,068**	9,295	9,217	**9,068**	9,217
Other income		**45**	32	37	**45**	37
Total revenue	**3**	**76,748**	78,060	72,000	**76,390**	71,845
Expenses						
Employee benefit expense		**36,224**	37,050	33,976	**36,224**	33,976
Operating expenses	4	**28,893**	28,197	27,264	**28,652**	27,201
GeoNet direct expenses	17	**4,236**	4,351	4,357	**4,236**	4,357
Depreciation	7	**4,000**	4,050	3,721	**4,000**	3,721
Amortisation	8	**1,376**	1,200	1,143	**1,367**	1,133
Total expenses		**74,729**	74,848	70,461	**74,479**	70,388
Profit before interest and income tax		**2,019**	3,212	1,539	**1,911**	1,457
Interest income		**188**	90	177	**171**	159
Interest expense		**(1)**	(10)	(3)	**(1)**	(3)
Net interest income		**187**	80	174	**170**	156
Profit before tax		**2,206**	3,292	1,713	**2,081**	1,613
Income tax expense	5	**(659)**	(922)	(571)	**(624)**	(542)
Profit after tax		**1,547**	2,370	1,142	**1,457**	1,071
Other comprehensive income		**–**	–	–	**–**	–
Total comprehensive income attributable to owners		**1,547**	2,370	1,142	**1,457**	1,071

The accompanying notes form part of these Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2014

Group

in thousands of New Zealand dollars	Note	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2012		**6,167**	**20,687**	**26,854**
Total comprehensive income		–	1,142	1,142
Dividend	15	–	(250)	(250)
Balance at 30 June 2013		**6,167**	**21,579**	**27,746**
Total comprehensive income		–	1,547	1,547
Dividend	15	–	(250)	(250)
Balance at 30 June 2014		**6,167**	**22,876**	**29,043**

Company

in thousands of New Zealand dollars	Note	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2012		**6,167**	**20,275**	**26,442**
Total comprehensive income		–	1,071	1,071
Dividend	15	–	(250)	(250)
Balance at 30 June 2013		**6,167**	**21,096**	**27,263**
Total comprehensive income		–	1,457	1,457
Dividend	15	–	(250)	(250)
Balance at 30 June 2014		**6,167**	**22,303**	**28,470**

The accompanying notes form part of these Financial Statements

Balance Sheet

As at 30 June 2014

in thousands of New Zealand dollars	Note	**Group Actual 2014**	Group Budget 2014	Group Actual 2013	**Company Actual 2014**	Company Actual 2013
Equity						
Share capital	6	**6,167**	6,167	6,167	**6,167**	6,167
Retained earnings		**22,876**	23,989	21,579	**22,303**	21,096
Total equity		**29,043**	30,156	27,746	**28,470**	27,263
Represented by:						
Non-current assets						
Property, plant and equipment	7	**29,976**	30,950	29,165	**29,976**	29,165
Intangible assets	8	**4,985**	4,950	5,216	**4,911**	5,156
Investments	9	**–**	95	13	**10**	23
Intercompany		**–**	–	–	**455**	–
Total non-current assets		**34,961**	35,995	34,394	**35,352**	34,344
Current assets						
Cash and cash equivalents		**7,267**	1,445	7,400	**6,227**	6,883
Trade receivables	10	**8,204**	5,787	5,543	**7,564**	5,160
Prepayments		**1,301**	1,500	1,509	**1,297**	1,505
Current tax		**–**	–	213	**–**	235
Work in progress		**1,879**	3,450	670	**1,879**	670
Total current assets		**18,651**	12,182	15,335	**16,967**	14,453
Total assets		**53,612**	48,177	49,729	**52,319**	48,797
Non-current liabilities						
Deferred tax	12	**981**	1,170	1,257	**978**	1,256
Non-current provisions	13	**2,140**	1,835	2,061	**2,140**	2,061
Total non-current liabilities		**3,121**	3,005	3,318	**3,118**	3,317
Current liabilities						
Trade and other payables	14	**8,119**	4,865	6,847	**7,999**	6,784
Intercompany		**–**	–	–	**–**	172
Current provisions	13	**2,171**	2,101	2,101	**2,171**	2,101
Revenue in advance		**10,699**	7,800	9,467	**10,118**	8,910
Provision for income tax		**209**	–	–	**193**	–
Provision for dividend	15	**250**	250	250	**250**	250
Total current liabilities		**21,448**	15,016	18,665	**20,731**	18,217
Total liabilities		**24,569**	18,021	21,983	**23,849**	21,534
Net assets		**29,043**	30,156	27,746	**28,470**	27,263

The accompanying notes form part of these Financial Statements

For and on behalf of the Board:

Tom Campbell
Chairman
27 August 2014

Ken Shirley
Deputy Chairman
27 August 2014

Statement of Cash Flows

For the year ended 30 June 2014

in thousands of New Zealand dollars	Note	**Group Actual 2014**	Group Budget 2014	Group Actual 2013	**Company Actual 2014**	Company Actual 2013
Cash flows from operating activities						
Cash was provided from:						
Receipts from customers		**74,109**	75,663	74,043	**73,351**	73,854
Interest received		**188**	90	177	**171**	159
		74,297	75,753	74,220	**73,522**	74,013
Cash was applied to:						
Payments to suppliers and employees		**(67,722)**	(69,357)	(67,097)	**(67,539)**	(66,773)
Interest paid		**(1)**	(10)	(3)	**(1)**	(3)
Income tax paid		**(513)**	(922)	(1,257)	**(474)**	(1,235)
		(68,236)	(70,289)	(68,357)	**(68,014)**	(68,011)
Net cash flows from operating activities	16	**6,061**	5,464	5,863	**5,508**	6,002
Cash flows from investing activities						
Cash was provided from:						
Sale of property, plant and equipment		**39**	–	26	**39**	26
Advances from subsidiaries		**–**	–	–	**7**	212
		39	–	26	**46**	238
Cash was applied to:						
Purchase of property, plant, equipment and intangible assets		**(5,995)**	(6,000)	(5,893)	**(5,972)**	(5,863)
		(5,995)	(6,000)	(5,893)	**(5,972)**	(5,863)
Net cash flows from investing activities		**(5,956)**	(6,000)	(5,867)	**(5,926)**	(5,625)
Cash flows from financing activities						
Cash was applied to:						
Dividends paid		**(250)**	(250)	(550)	**(250)**	(550)
		(250)	(250)	(550)	**(250)**	(550)
Net cash flows from financing activities		**(250)**	(250)	(550)	**(250)**	(550)
Net increase in cash and cash equivalents		**(145)**	(786)	(554)	**(668)**	(173)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**12**	–	18	**12**	18
Opening cash and cash equivalents		**7,400**	2,231	7,936	**6,883**	7,038
Closing cash and cash equivalents		**7,267**	1,445	7,400	**6,227**	6,883

The accompanying notes form part of these Financial Statements

1. Statement of Accounting Policies

1.1 Reporting entity and activities

The Institute of Geological and Nuclear Sciences Limited is established under the Crown Research Institutes Act 1992 and the Companies Act 1993. Its subsidiary companies, which are detailed in note 9, are established under the Companies Act 1993. The financial statements have been prepared in accordance with the Crown Research Institutes Act 1992, the Public Finance Act 1989, the Companies Act 1993, the Crown Entities Act 2004 and the Financial Reporting Act 1993.

Financial statements for the Institute of Geological and Nuclear Sciences Limited (the "Company") and consolidated financial statements (the "Group") are presented. The consolidated financial statements comprise the Company and its subsidiaries.

The principal activities of the Company are to undertake geoscience and isotope science research, development and technology transfer, predominantly in New Zealand.

1.2 Statement of compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

1.3 Significant Accounting Policies

(a) Measurement basis

The financial statements of the Group and Company have been prepared on an historical cost basis, except that derivative financial instruments are measured at their fair value.

The financial statements are presented in New Zealand dollars which is the Group's functional currency. All values are rounded to the nearest thousand.

(b) Subsidiaries – basis of consolidation

Subsidiaries are those entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation. The effects of intra-group transactions are eliminated in the consolidated financial statements.

Investments in subsidiaries are recorded by the Company at cost.

(c) Interest in joint arrangements

A joint arrangement is an arrangement whereby the Company or its subsidiaries have joint control over an entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities of that entity require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. For a joint operation the Company recognises its share of assets, liabilities, revenues and expenses on a line-by-line basis using the proportionate method. For a joint venture the Company recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(d) Critical accounting estimates and judgements

In applying the accounting policies, there is the requirement for judgements, estimates and assumptions to be made about the carrying amounts of some assets and liabilities. The estimates and assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Company has applied judgement in determining not to value collections, libraries and databases for financial reporting purposes as outlined at note 2.7.

(e) Comparative figures

Some comparative figures in the Statement of Comprehensive Income have been reclassified to conform to the current period financial statement presentation.

These reclassifications have no effect on previously reported net income.

2. Particular Accounting Policies

2.1 Revenue recognition

(a) Revenue from goods and services

Revenue earned from the supply of goods and services is measured at the fair value of consideration received. Revenue from services is recognised based on the percentage of work completed. Any amounts received in relation to work not yet commenced are recorded as revenue in advance.

Revenue from the supply of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

(b) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement.

(c) Interest revenue

Interest revenue is accrued on a time basis at the effective interest rate.

(d) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

2.2 Goods and services tax

The financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis.

2.3 Work in progress

Work in progress is valued based on the percentage of work completed, less amounts invoiced and provisions for unrecoverable amounts. Cost includes labour, direct costs and an allocation of overhead. The value of work in progress is regularly assessed with reference to contract values or estimated likely future income streams.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Assets have been depreciated on a straight line basis at rates calculated to allocate the assets' cost over their estimated remaining useful lives. Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Buildings and improvements	
– wooden construction	40 years
– concrete construction	50 years
– improvements	10 – 20 years
Plant, machinery and laboratory equipment	3 – 15 years
Furniture, fittings and office equipment	3 – 15 years
IT equipment	4 – 8 years
Vehicles	5 years

2.5 Intangible assets

Software, patents and capitalised development costs have a finite life and are included at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis at rates calculated to allocate the assets' cost over their estimated remaining useful lives.

The estimated useful life and amortisation method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation:

Software	4 – 8 years
Patents	4 – 17 years
Capitalised development costs	4 – 8 years

Intangible assets under construction are capitalised at cost and are not amortised until the asset has been completed.

2.6 Impairment of tangible and intangible assets

The carrying amounts of tangible and intangible assets are reviewed at each balance date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, reference is made to the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, or value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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 in prior years. A reversal of an impairment loss is recognised in profit or loss.

2.7 Collections, library and databases

The Company owns various collections, library resources and databases that are an integral part of the research work undertaken by the Company. These collections are highly specialised and there is no reliable basis for establishing a valuation. They have therefore not been valued for financial reporting purposes. The two major collections are:

The National Paleontological Collection
The National Petrological Reference Collection

2.8 Financial assets

(a) Classification of financial assets

The Company holds loans and receivables. These are measured at cost less impairment, or in the case of trade receivables, reduced by an allowance for doubtful debts.

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the asset have been impacted.

When a trade receivable is considered uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance for doubtful debts. Changes in the carrying amount of doubtful debts are recognised in profit or loss.

2.9 Financial liabilities

(a) Classification of financial liabilities

Financial liabilities, excluding derivative financial instruments, are classified as 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost, with interest expense recognised on an effective interest basis.

(b) Effective interest rate method

The effective interest rate method calculates the amortised cost of a financial asset or liability and allocates interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

2.10 Derivative financial instruments

The Company uses forward exchange contracts to hedge its exposure to foreign exchange risk arising from its operations. The Company does not hold or issue these instruments for trading purposes.

Derivative financial instruments are recognised both initially and subsequently at fair value with reference to observable market inputs.

The Company designates all instruments hedging a firm commitment as cash flow hedges. At the inception of the hedge, the Company documents the relationship between the hedging instrument and the hedged item along with its risk management objectives for undertaking the hedge. It periodically evaluates the effectiveness of the hedge. Where the hedge qualifies as effective, changes in the fair value of the instrument are deferred in equity. The amounts deferred are recycled from equity to profit or loss unless the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in profit or loss.

Movements in the value of instruments that are not designated as cash flow hedges or do not qualify as effective are recognised in profit or loss.

2.11 Foreign currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling on the date of the transaction. Monetary assets and liabilities at year end are converted to New Zealand dollars at the exchange rate ruling at balance date. All exchange differences are recorded in profit or loss, except when deferred in equity when hedge accounting is applied.

2.12 Employee benefits

Liabilities for wages and salaries, annual leave, long service leave and retirement leave are recognised when it is probable that settlement will be required and they are capable of being reliably measured.

Employee benefits to be settled within twelve months are reported at the amount expected to be paid. Employee benefits not expected to be settled within twelve months are reported at the present value of the estimated future cash outflows.

Provisions for long service leave and retirement leave depend on a number of assumptions such as the expected employment period of employees, salary levels and the timing of employees taking leave. When measuring employee benefit liabilities the ten year New Zealand Government bond rate is used as the appropriate discount rate, the salary increase factor is based on forecast information and employee pattern of leave has been determined after considering historical data.

2.13 Taxation

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

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Taxable profit differs from profit as reported in the Statement of Comprehensive Income 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 or substantively enacted at balance date.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

The carrying amount of deferred tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised.

2.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer a significant portion of all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group has no leases which would be classified as finance leases.

Operating lease payments are recognised on a systematic basis representing the pattern in which economic benefits from the leased asset are consumed over the lease term.

2.15 Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities – are the principal revenue producing activities and other activities that are not investing or financing activities.

Investing activities – are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities – are activities that result in changes in the size and composition of the equity and borrowings of the Company.

2.16 New standards and interpretations not yet adopted

Standards and interpretations effective in the current period – there are no new standards and interpretations effective in the current period with a material impact.

Standards and interpretations approved but not yet in effect – New or revised standards and interpretations that have been approved but are not yet in effect have not been adopted for the year ended 30 June 2014. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the financial statements. These will be applied when they become mandatory.

3. Revenue

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Provision of services	**74,471**	70,621	**74,456**	70,685
Sale of goods	**645**	145	**491**	92
Royalties, licence and maintenance revenue	**1,587**	1,197	**1,398**	1,031
Rental and other income	**45**	37	**45**	37
Total revenue	**76,748**	72,000	**76,390**	71,845
Technology transfer revenue was derived from:				
New Zealand	**15,340**	14,353	**15,340**	14,235
Overseas	**7,168**	7,031	**6,810**	6,994
	22,508	21,384	**22,150**	21,229

4. Operating expenses

The following are included in operating expenses:

Auditor's remuneration – audit services	**76**	77	**67**	66
Movement within doubtful debt provision	**(2)**	44	**(2)**	44
Bad debts written off	**25**	13	**25**	13
Directors' fees	**190**	190	**190**	190
Foreign exchange losses	**94**	23	**88**	24
Rent expenses	**192**	197	**192**	197
Research contracts	**10,485**	8,230	**10,485**	8,230

5. Income tax expense

The income tax expense is determined as follows:

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Reconciliation of income tax expense				
Profit before income tax	**2,206**	1,713	**2,081**	1,613
Tax at current rate of 28%	**618**	480	**583**	452
Non deductible/(assessable) items in determining taxable profit	**37**	49	**37**	48
Under/(over) provision in previous year	**4**	42	**4**	42
Total tax expense	**659**	571	**624**	542
The taxation charge is represented by:				
Current tax	**934**	676	**901**	647
Deferred tax	**(275)**	(105)	**(277)**	(105)
Total tax expense	**659**	571	**624**	542

6. Share Capital

Authorised and Issued Capital: 6,167,000 ordinary shares	**6,167**	6,167	**6,167**	6,167

All ordinary shares rank equally with respect to dividends and repayment of capital and each carry the right to one vote at any annual meeting.

7. Property, plant and equipment

Group and Company

in thousands of New Zealand dollars	Land	Buildings and improvements	Plant and machinery	Laboratory equipment	IT equipment	Furniture, fittings and office equipment	Vehicles	Total
Cost								
Balance at 1 July 2012	2,527	15,675	2,686	24,593	6,271	3,029	1,127	55,908
Additions	–	1,182	800	1,387	586	543	–	4,498
Disposals	–	(17)	(25)	(664)	(1,413)	(318)	(92)	(2,529)
Balance at 30 June 2013	2,527	16,840	3,461	25,316	5,444	3,254	1,035	57,877
Additions	–	835	110	2,242	1,155	210	275	4,827
Disposals	–	(112)	(197)	(504)	(814)	(302)	(174)	(2,103)
Balance at 30 June 2014	**2,527**	**17,563**	**3,374**	**27,054**	**5,785**	**3,162**	**1,136**	**60,601**
Accumulated depreciation								
Balance at 1 July 2012	–	4,311	1,391	14,181	4,793	1,896	939	27,511
Disposals	–	(17)	(25)	(664)	(1,411)	(311)	(92)	(2,520)
Depreciation	–	827	214	1,673	649	267	91	3,721
Balance at 30 June 2013	–	5,121	1,580	15,190	4,031	1,852	938	28,712
Disposals	–	(112)	(197)	(492)	(814)	(298)	(174)	(2,087)
Depreciation	–	1,041	229	1,734	652	263	81	4,000
Balance at 30 June 2014	**–**	**6,050**	**1,612**	**16,432**	**3,869**	**1,817**	**845**	**30,625**
Net book value at 30 June 2013	2,527	11,719	1,881	10,126	1,413	1,402	97	29,165
Net book value at 30 June 2014	**2,527**	**11,513**	**1,762**	**10,622**	**1,916**	**1,345**	**291**	**29,976**

An impairment review of property, plant and equipment was undertaken by the Company at year end. This review determined that no impairment adjustment was necessary.

8. Intangible assets

Group

in thousands of New Zealand dollars	Software	Patents	Capitalised development costs	Total
Cost				
Balance at 1 July 2012	8,732	791	755	10,278
Additions	1,206	194	–	1,400
Disposals	(476)	–	–	(476)
Balance at 30 June 2013	9,462	985	755	11,202
Additions	1,054	91	–	1,145
Disposals	(84)	–	–	(84)
Balance at 30 June 2014	**10,432**	**1,076**	**755**	**12,263**
Accumulated amortisation				
Balance at 1 July 2012	4,695	244	376	5,315
Disposals	(472)	–	–	(472)
Amortisation	933	59	151	1,143
Balance at 30 June 2013	5,156	303	527	5,986
Disposals	(84)	–	–	(84)
Amortisation	1,155	70	151	1,376
Balance at 30 June 2014	**6,227**	**373**	**678**	**7,278**
Net book value at 30 June 2013	4,306	682	228	5,216
Net book value at 30 June 2014	**4,205**	**703**	**77**	**4,985**

Company

	Software	Patents	Capitalised development costs	Total
Cost				
Balance at 1 July 2012	8,206	791	755	9,752
Additions	1,175	194	–	1,369
Disposals	(281)	–	–	(281)
Balance at 30 June 2013	9,100	985	755	10,840
Additions	1,031	91	–	1,122
Disposals	(84)	–	–	(84)
Balance at 30 June 2014	**10,047**	**1,076**	**755**	**11,878**
Accumulated amortisation				
Balance at 1 July 2012	4,208	244	376	4,828
Disposals	(277)	–	–	(277)
Amortisation	923	59	151	1,133
Balance at 30 June 2013	4,854	303	527	5,684
Disposals	(84)	–	–	(84)
Amortisation	1,146	70	151	1,367
Balance at 30 June 2014	**5,916**	**373**	**678**	**6,967**
Net book value at 30 June 2013	4,246	682	228	5,156
Net book value at 30 June 2014	**4,131**	**703**	**77**	**4,911**

An impairment review of intangible assets was undertaken by the Company at year end. This review determined that no impairment adjustment was necessary.

9. Investments

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Investment in subsidiaries	**–**	–	**10**	10
Other investments	**–**	13	**–**	13
	–	13	**10**	23

(a) Investment in subsidiaries

Subsidiary	Balance date	Ownership and voting interest	Principal activity
Isoscan Limited	30 June	100%	Development and sale of non-invasive scanning technology for industry.
Isoscan Food Limited	30 June	100%	Holds a 50% interest in Meatvision Limited, a joint venture undertaking the development and sale of non-invasive scanning technology for the meat industry.
Geological Surveys (New Zealand) Limited	30 June	100%	Held a 45% interest in PropertyInsight, an unincorporated joint venture which sells property data. PropertyInsight was dissolved on 28 June 2013. The company is currently non-active.
Geological Risk Limited	30 June	100%	The company is currently non-active.
GNS Science International Limited	30 June	100%	Undertakes international research and technology transfer work. Holds a 38% interest in Exergy Limited, a technology company, which develops and sells specialised software to the energy sector. Holds a 50% interest in EDDI Project, an unincorporated joint venture formed to undertake a contract for dam hazard management in Vietnam.

(b) Other investments

The Company has fully written down its 6.75% interest in New Zealand Synchrotron Group Limited (2013: $13,000). This investment allows the Company rights to beamtime on the Australian Synchrotron (light and x-ray source).

10. Trade receivables

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Trade receivables	**8,274**	5,615	**7,634**	5,232
Allowance for doubtful debts	**(70)**	(72)	**(70)**	(72)
	8,204	5,543	**7,564**	5,160

The carrying value of receivables approximates their fair value. As at 30 June 2014, all overdue receivables have been assessed for impairment and appropriate provisions applied.

(a) Ageing profile of past due trade receivables at balance date

Past due 1-30 days	**941**	344	**688**	344
Past due 30-60 days	**45**	332	**42**	332
Past due over 61 days	**422**	276	**353**	276
	1,408	952	**1,083**	952

(b) Movement in the provision for doubtful debts

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Balance at 1 July	**72**	28	**72**	28
Accounts written off during the year	**(17)**	(14)	**(17)**	(14)
Increase in allowance recognised in profit or loss	**48**	72	**48**	72
Reversal of impairment losses on receivables	**(33)**	(14)	**(33)**	(14)
	70	72	**70**	72

The credit quality of trade receivables that are neither past due nor impaired is considered sound.

11. Borrowing facility

Facility

The total flexible credit facility available to the Company at 30 June 2014 is $2,000,000 (2013: $2,000,000). The Company had no borrowings at 30 June 2014 (2013: $nil).

Interest

The flexible credit facility incurs interest based on the bank's cost of funds plus a margin of 0.85%. This rate is reviewed by the bank on a quarterly basis.

The flexible credit facility is provided subject to a negative pledge that the Company does not encumber any assets or provide security whereby the aggregate of such encumbrances is greater than 5% of total tangible assets.

12. Deferred tax liability

(a) Temporary differences

Deferred tax liabilities/(assets) arise from the following:

Property, plant and equipment	**1,704**	1,906	**1,704**	1,906
Intangible assets	**504**	525	**501**	524
Provisions	**(1,202)**	(1,149)	**(1,202)**	(1,149)
Doubtful debts	**(20)**	(20)	**(20)**	(20)
Capitalised relocation expenses	**(5)**	(5)	**(5)**	(5)
	981	1,257	**978**	1,256

(b) Movements in deferred tax

Balance at 1 July	**1,257**	1,362	**1,256**	1,361
Charged to income	**(335)**	(154)	**(337)**	(154)
Adjustments – prior year	**59**	49	**59**	49
	(276)	(105)	**(278)**	(105)
	981	1,257	**978**	1,256

Under Section OB1(2)(d) of the Income Tax Act (2007), the Company is not required to maintain an imputation credit account.

13. Provisions

Group and Company	Current		Non-current	
in thousands of New Zealand dollars	**2014**	2013	**2014**	2013
Annual leave	**1,925**	1,823	**823**	713
Long service leave	**115**	133	**980**	943
Retirement leave	**131**	145	**337**	405
	2,171	2,101	**2,140**	2,061

14. Trade and other payables

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Trade payables	**4,871**	4,636	**4,761**	4,583
Accrued expenses	**2,905**	1,919	**2,895**	1,909
Other payables	**343**	292	**343**	292
	8,119	6,847	**7,999**	6,784

Trade and other payables are non-interest bearing and are normally settled on the 20th of the month following receipt of invoice. The carrying value of creditors and other payables approximates their fair value.

15. Provision for dividend

On 2 August 2013 a dividend of $250,000 was paid to holders of fully paid ordinary shares in respect of the 2013 financial year. On 23 June 2014 the Directors approved a dividend of $250,000 in respect of the current financial year and this was paid to shareholders on 15 August 2014.

16. Reconciliation of profit after tax to net cash flows from operating activities

Profit after tax	**1,547**	1,142	**1,457**	1,071
Add/(less) items classified as investing activities:				
Net gain on disposal of property, plant and equipment	**(23)**	(17)	**(23)**	(17)
Adjust non-cash items:				
Depreciation	**4,000**	3,721	**4,000**	3,721
Amortisation	**1,376**	1,143	**1,367**	1,133
Bad and doubtful accounts	**23**	56	**23**	56
Net unrealised exchange gains	**(12)**	(13)	**(12)**	(13)
Non-cash settlement of trade receivables from subsidiaries	**–**	–	**(634)**	–
Increase/(Decrease) in provision for income tax	**422**	(580)	**428**	(588)
Decrease in deferred tax	**(276)**	(105)	**(278)**	(105)
Impairment loss recognised on NZ Synchrotron Group investment	**13**	82	**13**	82
Increase/(Decrease) in non-current provisions	**79**	(2)	**79**	(2)
	5,625	4,302	**4,986**	4,284
Add/(less) movements in working capital items:				
(Increase)/Decrease in accounts receivable and prepayments	**(2,453)**	1,068	**(2,196)**	1,288
Increase/(Decrease) in payables, current provisions and revenue in advance	**2,574**	(1,340)	**2,493**	(1,332)
(Increase)/Decrease in work in progress	**(1,209)**	708	**(1,209)**	708
	(1,088)	436	**(912)**	664
Net cash flows from operating activities	**6,061**	5,863	**5,508**	6,002

17. Related party transactions

The ultimate shareholder of the Company is the Crown. All transactions with the Crown are undertaken on an arm's length basis. Revenue derived from the Crown for the Group and Company includes:

in thousands of New Zealand dollars	**2014**	2013	Source
Direct Crown Funding contract	**27,277**	26,918	Ministry of Business, Innovation and Employment
Contestable funding contracts	**13,684**	11,317	Ministry of Business, Innovation and Employment
Marsden funding contracts	**1,939**	1,373	Royal Society of New Zealand
	42,900	39,608	

The Company has an agreement with the Earthquake Commission (EQC) to implement and operate a seismic network throughout New Zealand on their behalf (GeoNet). Amounts for the Group and Company for the year were:

in thousands of New Zealand dollars	**2014**	2013
Revenue	**9,068**	9,217
Direct costs (including equipment purchases)	**4,236**	4,357
Personnel and overhead recoveries	**4,832**	4,860
	9,068	9,217

The Company undertakes many transactions with State-Owned Enterprises, Government Departments, other Crown Entities and other Crown Research Institutes. These transactions are carried out on a commercial and arm's length basis and it is not considered that these require related party disclosure.

The total remuneration paid to directors and key management personnel during the year was as follows:

Short-term benefits	**3,186**	3,018

18. Transactions with subsidiaries

During the year the Company provided technical and development services relating to timber scanning products to Isoscan Limited totalling $258,157 (2013: $64,112).

The Company provided consultancy services totalling $1,733,948 (2013: $1,170,000) to GNS Science International Limited for the delivery of consultancy services to overseas customers.

Interest free treasury advances with no specific repayment terms were made between the Company and its subsidiaries during the year. All other transactions with subsidiary companies are made on an arm's length basis.

19. Transactions with joint ventures

Isoscan Food Limited has a 50% interest in Meatvision Limited – a joint venture with Anzco Foods Limited. All transactions were carried out on a commercial and arm's length basis. During the year the Company provided technical and development services to Meatvision Limited for non-invasive meat scanning technology totalling $11,367 (2013: $48,510). Patent costs of $36,094 were oncharged by the Company to Meatvision Limited during the year (2013: $12,560).

The following amounts have been included in the consolidated financial statements after eliminating entries as the Company's share of the joint ventures:

in thousands of New Zealand dollars	**2014**	2013
Revenue	**343**	151
Expenses	**220**	54
Operating profit before tax	**123**	97
Income tax	**(35)**	(27)
Operating profit after tax	**88**	70
Current assets	**1,028**	861
Non-current assets	**74**	60
Current liabilities	**709**	619
Non-current liabilities	**3**	1

There are no contingent liabilities in any of the above joint ventures (2013: $nil).

20. Financial instruments

(a) Capital risk management

The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt, which includes the borrowing facilities disclosed in note 11, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and retained earnings.

The Company is not subject to any externally imposed capital requirements.

(b) Categories of financial instruments

in thousands of New Zealand dollars	**Group 2014**	Group 2013	**Company 2014**	Company 2013
Financial assets – loans and receivables				
Cash and cash equivalents	**7,267**	7,400	**6,227**	6,883
Trade and other receivables	**8,204**	5,543	**7,564**	5,160
Total financial assets	**15,471**	12,943	**13,791**	12,043
Investments	**–**	13	**10**	23
Financial liabilities measured at amortised cost				
Trade and other payables	**(8,119)**	(6,847)	**(7,999)**	(6,784)

(c) Financial risk management objectives

The Company monitors and manages the financial risks relating to its operations through daily monitoring of its cash position and regular Board reporting.

The Company seeks to minimise the effects of financial risks by following prudent treasury management policies and delegations of authority. Increases in borrowings and entering into interest rate swaps, floating rate agreements, options and other financial instruments are subject to approval by the Board. Compliance with policies and exposure limits is reviewed by the internal auditor. The Company does not enter into financial instruments for speculative purposes.

(d) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no material change to the Company's exposure to market risks or the manner in which it manages and measures the risk. The Company is not exposed to substantial other market risk arising from financial instruments.

(e) Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy limits using forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
in thousands of New Zealand dollars	**2014**	2013	**2014**	2013
GBP Sterling	**(11)**	(21)	**4**	83
US Dollar	**(787)**	(154)	**1,011**	1,035
Norwegian Krona	**(15)**	–	**–**	–
Japanese Yen	**–**	–	**43**	33
Euro	**(9)**	(4)	**91**	18
Australian Dollar	**(11)**	(103)	**132**	18
	(833)	(282)	**1,281**	1,187

The Company has a policy of not holding large amounts of foreign currency denominated monetary assets. Fixed rate forward foreign exchange contracts are taken out for significant foreign currency denominated commitments.

f) Sensitivity

As at 30 June 2014, if the New Zealand dollar (NZD) had strengthened by 5% against foreign currencies, with all other variables held constant, the profit for the year for the Company would have been decreased by $21,000 (2013: $43,000), as follows:

in thousands of New Zealand dollars	**2014**	2013
GBP Sterling	**1**	(2)
US Dollar	**(11)**	(42)
Norwegian Krona	**1**	–
Japanese Yen	**(2)**	(2)
Euro	**(4)**	(1)
Australian Dollar	**(6)**	4
	(21)	(43)

A 5% weakening of the NZD would have increased the profit for the year for the Company by $23,000 (2013: $48,000), as follows:

GBP Sterling	**(1)**	3
US Dollar	**12**	46
Norwegian Krona	**(1)**	–
Japanese Yen	**2**	2
Euro	**5**	1
Australian Dollar	**6**	(4)
	23	48

This movement is attributable to foreign exchange gains/losses on translation of foreign currency denominated receivables, payables and cash and cash equivalent balances.

(g) Interest rate risk management

The Company incurs interest on borrowings as detailed at note 11. The Company is exposed to floating interest rates on its flexible credit facility.

The Company also operates a call account and has short-term deposits on which interest is earned. Where possible the Company manages exposures to interest rate fluctuations through prudent management of its treasury operations.

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by $30,500 (2013: $26,000).

(h) Credit risk management

The financial instruments which expose the Company to credit risk are principally bank balances, short term investments and accounts receivable. The Company monitors credit risk on an ongoing basis.

Bank balances and short term investments are held with New Zealand registered banks in accordance with the Company's treasury policy.

An allowance for doubtful debts is maintained in respect of accounts receivable and this is assessed on a regular basis. The Company is not usually exposed to any concentrations of credit risk relating to accounts receivable other than from the Crown and the EQC.

No collateral is held by the Company in respect of bank balances, short term investments or accounts receivable. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Balance Sheet.

(i) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the expected contractual maturity (undiscounted) for the Group's non-derivative financial instruments.

in thousands of New Zealand dollars	6 months or less	6-12 months	1-5 years	more than 5 years	Total
					2014
Cash and cash equivalents	7,267	–	–	–	**7,267**
Trade and other receivables	8,204	–	–	–	**8,204**
Trade and other payables	(8,119)	–	–	–	**(8,119)**
					2013
Cash and cash equivalents	7,400	–	–	–	7,400
Trade and other receivables	5,543	–	–	–	5,543
Trade and other payables	(6,847)	–	–	–	(6,847)

(j) Fair value of financial instruments

At 30 June the Company had the following forward currency contracts for the purchase of United States dollars (2013 : Canadian dollars) to cover firm foreign currency commitments.

in thousands of dollars	Foreign currency		Contract value (NZD)		Fair value (NZD)	
Outstanding contracts	**2014**	2013	**2014**	2013	**2014**	2013
Less than three months	**300**	–	**343**	–	**–**	–
More than three months	**93**	131	**107**	161	**–**	–
	393	131	**450**	161	**–**	–

21. Commitments

(a) Non-cancellable operating lease commitments (Group and Company)

in thousands of New Zealand dollars	**2014**	2013
Within one year	**117**	191
Between one and five years	**41**	147
Over five years	**–**	–
	158	338

(b) Capital commitments (Group and Company)

Capital commitments	**3,576**	1,799

22. Contingent liabilities

The Group and Company have no contingent liabilities (2013: $nil).

23. Events after the balance date

There were no significant events after the balance date (2013: none).

STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of the annual financial statements and the judgements used therein.

The Board is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurances as to the integrity and reliability of the financial reporting.

In the opinion of the Board, the annual financial statements for the financial year fairly reflect the financial position and operations of the Group.

Tom Campbell
Chairman

Ken Shirley
Deputy Chairman

27 August 2014
Date of Approval

Deloitte.

To the readers of the Institute of Geological and Nuclear Sciences Limited and Group's Financial Statements for the year ended 30 June 2014

The Auditor-General is the auditor of the Institute of Geological and Nuclear Sciences Limited (the company) and group. The Auditor-General has appointed me, Jacqueline Robertson, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company and group, on her behalf.

We have audited the financial statements of the company and group on pages 59 to 77, that comprise the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company and group on pages 59 to 77:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company and group's:
  - financial position as at 30 June 2014; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 27 August 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company and group's preparation of the financial statements that fairly reflect the matters to which they relate. We consider internal control 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 and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Research Institutes Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

J M Robertson
Deloitte
on behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the financial statements of the Institute of Geological and Nuclear Sciences Limited and Group for the year ended 30 June 2014 included on the Institute of Geological and Nuclear Sciences Limited's website. The entity's governing body is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 August 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.