REPORTING AND FINANCIAL STATEMENTS

Overview

The Board is 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 (the Minister of Finance and the Minister of Science and Innovation) 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 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 the Executive 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 shareholders. The term is generally three years with reappointment for further terms at the discretion of the shareholders. The shareholders also appoint the Chairman and Deputy Chairman.

On appointment, Directors receive guidelines on the shareholders' expectations, which are in addition to those required by the Companies Act 1993. They also have access to an online 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 and the Deed of Indemnity. 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.

Operation of the Board

The Board operates in accordance with the Board Charter. It has four committees – the Audit and Risk Committee, the Remuneration Committee, the Health, Safety and Environment Committee, and the Science Committee. All committees operate in accordance with agreed Terms of Reference.

Directors' meetings

The full Board had 11 formal meetings during the year ended 30 June 2015. Separate meetings were held in November 2014 and March 2015 with the Executive 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.

There was an ongoing programme of site visits and presentations to the Board by management and science staff to enable Directors to keep 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 in relation to financial reporting, external audit, risk management, legislative compliance and internal audit. Members of the committee were Sarah Haydon (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, risk and internal control assessments, the internal audit plan and reports, and 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.

Meetings in the year to 30 June 2015

	Board Meetings		Audit and Risk		Remuneration		Health, Safety and Environment	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tom Campbell	11	11	3	2	2	2	4	4
Ken Shirley	11	10			2	2		
Sarah Haydon	11	11	3	3				
James Johnston	11	11	3	3			4	4
Claire McGowan	11	11			2	2		
Belinda Vernon	11	11	3	3			4	4
Steve Weaver	11	10						

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 and the review of their performance. Members of the committee were Tom Campbell (Chair), Ken Shirley and Claire McGowan. The Chief Executive and the General Manager, Human Resources, are normally in attendance.

The committee met twice 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.

Health, Safety and Environment Committee

This committee supports the Board in fulfilling its governance responsibilities relating to health, safety and environment matters. It sets the direction for health and safety and environmental strategies and policies, and monitors and reviews the performance and effectiveness of the policies and related systems. The members of the committee were Belinda Vernon (Chair), Tom Campbell 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 four times in the financial year. Matters discussed by the committee were reported back at the subsequent Board meeting and discussed by the full Board.

Science Committee

The Science Committee did not meet during the year while the Board gained clarification of the role of the Advisory Boards relating to the different National Science Challenges in which the Company was participating, particularly the Resilience Challenge.

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 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 provides the results of the evaluation to the shareholders' representative on a periodic basis.

For the year ended 30 June 2015

The Directors have pleasure in presenting the audited financial statements of GNS Science for the year ended 30 June 2015. 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 85.

Principal activity

GNS Science'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.

Board composition

Tom Campbell and Claire McGowan retired from the Board on 30 June 2015 and Dr Nicola Crauford was appointed to the Board on 1 July 2015 as Chairman.

Remuneration of Directors

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

	2015 $	2014 $
Tom Campbell	46,000	46,000
Ken Shirley	28,750	28,750
Sarah Haydon	23,000	-
James Johnston	23,000	23,000
Claire McGowan	23,000	23,000
Jane Taylor	-	23,000
Steve Weaver	23,000	23,000
Belinda Vernon	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	2015	2014
100-110	24	19
110-120	29	29
120-130	12	12
130-140	18	20
140-150	14	12
150-160	8	7
160-170	6	8
170-180	3	1
180-190	3	3
190-200	-	3
200-210	1	1
230-240	1	2
240-250	3	3
250-260	-	1
260-270	1	-
270-280	2	1
310-320	-	1
310-320*	-	1
450-460*	1	-

* Chief Executive (part year 2014)

Subsidiaries

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

Tom Campbell and Dr Michael McWilliams were Directors of each of the subsidiary companies for the financial year. Dr Nicola Crauford replaced Tom Campbell as a Director of the companies at 1 July 2015.

Dividends

A dividend of $250,000 was declared on 24 June 2015 in respect of the 2015 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 GNS Science's Statement of Core Purpose.

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

On behalf of the Directors

Dr Nicola Crauford
Chairman
26 August 2015

Note: Directors' disclosures can be found on page 58.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

in thousands of New Zealand dollars	Note	**Actual 2015**	Budget 2015	Actual 2014
Revenue				
Research contracts		**48,119**	45,010	45,127
Technology transfer	3	**20,548**	25,550	22,508
GeoNet		**9,165**	9,165	9,068
Other income		**46**	30	45
Total revenue	**3**	**77,878**	79,755	76,748
Expenses				
Employee benefit expense		**37,150**	37,580	36,224
Operating expenses	4	**30,423**	29,210	28,893
GeoNet direct expenses		**3,974**	4,030	4,236
Depreciation	7	**4,224**	4,350	4,000
Amortisation	8	**1,328**	1,300	1,376
Total expenses		**77,099**	76,470	74,729
Net profit before sale of intellectual property		**779**	3,285	2,019
Gain on sale of intellectual property		**1,120**	-	-
Net profit before interest and tax		**1,899**	3,285	2,019
Interest income		**251**	125	188
Interest expense		**-**	(10)	(1)
Profit before tax		**2,150**	3,400	2,206
Income tax expense	5	**(398)**	(952)	(659)
Profit after tax		**1,752**	2,448	1,547
Other comprehensive income		**-**	-	-
Total comprehensive income attributable to owners		**1,752**	2,448	1,547

The accompanying notes form part of these Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

in thousands of New Zealand dollars	Note	**Share Capital**	**Retained Earnings**	**Total Equity**
Balance at 1 July 2013		**6,167**	**21,579**	**27,746**
Total comprehensive income		–	1,547	1,547
Dividend	13	–	(250)	(250)
Balance at 30 June 2014		**6,167**	**22,876**	**29,043**
Total comprehensive income		–	1,752	1,752
Dividend	13	–	(250)	(250)
Balance at 30 June 2015		**6,167**	**24,378**	**30,545**

The accompanying notes form part of these Financial Statements

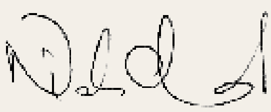
Consolidated Balance Sheet

As at 30 June 2015

in thousands of New Zealand dollars	Note	**Actual 2015**	Budget 2015	Actual 2014
Equity				
Share capital	6	**6,167**	6,167	6,167
Retained earnings		**24,378**	25,543	22,876
Total equity		**30,545**	31,710	29,043
Represented by:				
Non-current assets				
Property, plant and equipment	7	**30,512**	32,306	29,976
Intangible assets	8	**4,322**	4,950	4,985
Investments		**30**	13	-
Total non-current assets		**34,864**	37,269	34,961
Current assets				
Cash and cash equivalents		**6,546**	2,116	7,267
Trade receivables	9	**9,018**	5,787	8,204
Prepayments		**1,663**	1,500	1,301
Current tax		**254**	-	-
Work in progress		**2,239**	3,450	1,879
Total current assets		**19,720**	12,853	18,651
Total assets		**54,584**	50,122	53,612
Non-current liabilities				
Deferred tax	10	**901**	1,260	981
Non-current provisions	11	**1,746**	2,080	2,140
Total non-current liabilities		**2,647**	3,340	3,121
Current liabilities				
Trade and other payables	12	**8,718**	4,865	8,119
Current provisions	11	**2,700**	1,957	2,171
Revenue in advance		**9,724**	8,000	10,699
Provision for income tax		**-**	-	209
Provision for dividend	13	**250**	250	250
Total current liabilities		**21,392**	15,072	21,448
Total liabilities		**24,039**	18,412	24,569
Net assets		**30,545**	31,710	29,043

The accompanying notes form part of these Financial Statements

For and on behalf of the Board:



Dr Nicola Crauford
Chairman
26 August 2015

Hon Ken Shirley
Deputy Chairman
26 August 2015

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

in thousands of New Zealand dollars	Note	**Actual 2015**	Budget 2015	Actual 2014
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		**75,729**	77,559	74,109
Interest received		**251**	125	188
		75,980	77,684	74,297
Cash was applied to:				
Payments to suppliers and employees		**(71,038)**	(70,569)	(67,722)
Interest paid		**-**	(10)	(1)
Income tax paid		**(941)**	(952)	(513)
		(71,979)	(71,531)	(68,236)
Net cash flows from operating activities	14	**4,001**	6,153	6,061
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant and equipment and intellectual property		**1,312**	–	39
		1,312	–	39
Cash was applied to:				
Investment in Kiwinet		**(30)**	-	-
Purchase of property, plant, equipment and intangible assets		**(5,860)**	(7,800)	(5,995)
		(5,890)	(7,800)	(5,995)
Net cash flows from investing activities		**(4,578)**	(7,800)	(5,956)
Cash flows from financing activities				
Cash was applied to:				
Dividends paid		**(250)**	(250)	(250)
		(250)	(250)	(250)
Net cash flows from financing activities		**(250)**	(250)	(250)
Net increase in cash and cash equivalents		**(827)**	(1,897)	(145)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**106**	-	12
Opening cash and cash equivalents		**7,267**	4,013	7,400
Closing cash and cash equivalents		**6,546**	2,116	7,267

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 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 2013.

Consolidated financial statements for the Group comprising the Institute of Geological and Nuclear Sciences Limited (the Company) and its subsidiaries are presented. The subsidiaries of the Company are:

- IsoScan Limited
- IsoScan Food Limited
- Geological Surveys (New Zealand) Limited
- Geological Risk Limited
- GNS Science International Limited

The principal activities of the Group 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 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 dollars.

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

(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 Group recognises its share of assets, liabilities, revenues and expenses on a line-by-line basis using the proportionate method. For a joint venture the Group 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.

Judgement has been applied in determining not to value collections, libraries and databases for financial reporting purposes as outlined in note 2.7. Accounting policies where critical estimates have been made include property, plant and equipment, intangible assets, impairment of assets and liabilities and employee benefits.

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 Group 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.

2.10 Derivative financial instruments

The Group uses forward exchange contracts, to hedge its exposure to foreign exchange risk arising from its operations. The Group 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.

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.

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 risk-free discount rates provided by The Treasury are used as the appropriate discount rates, 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 Group's liability for current tax is calculated using tax rates that have been 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 Group.

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 2015. 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	**2015**	2014
Provision of services	**75,793**	74,471
Sale of goods	**912**	645
Royalties, licence and maintenance revenue	**1,127**	1,587
Rental and other income	**46**	45
Total revenue	**77,878**	76,748

Technology transfer revenue was derived from:		
New Zealand	**12,825**	15,340
Overseas	**7,723**	7,168
Total technology transfer	**20,548**	22,508

4. Operating expenses

The following are included in operating expenses:

Auditor's remuneration – audit services	**77**	76
Movement within doubtful debt provision	**(46)**	(2)
Bad debts written off	**73**	17
Directors' fees	**189**	190
Foreign exchange (gain)/loss	**(237)**	94
Rent expense	**183**	192
Research contracts	**9,489**	10,485

5. Income tax expense

The income tax expense is determined as follows:

Reconciliation of income tax expense

Profit before income tax	**2,150**	2,206
Tax at current rate of 28%	**602**	618
Non deductible items in determining taxable profit	**47**	41
Non assessable capital gain on sale of intellectual property	**(293)**	-
Tax on non imputed intercompany dividend	**42**	-
Total tax expense	**398**	659
The taxation charge is represented by:		
Current tax	**478**	934
Deferred tax	**(80)**	(275)
Total tax expense	**398**	659

6. Share Capital

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

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 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
Additions	-	1,684	379	1,806	553	153	219	4,794
Disposals	-	(53)	(142)	(134)	(183)	(188)	(127)	(827)
Balance at 30 June 2015	**2,527**	**19,194**	**3,611**	**28,726**	**6,155**	**3,127**	**1,228**	**64,568**
Accumulated depreciation								
Balance at 1 July 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
Disposals	-	(49)	(138)	(115)	(181)	(183)	(127)	(793)
Depreciation	-	1,113	266	1,719	727	288	111	4,224
Balance at 30 June 2015	**-**	**7,114**	**1,740**	**18,036**	**4,415**	**1,922**	**829**	**34,056**
Net book value at 30 June 2014	2,527	11,513	1,762	10,622	1,916	1,345	291	29,976
Net book value at 30 June 2015	**2,527**	**12,080**	**1,871**	**10,690**	**1,740**	**1,205**	**399**	**30,512**

8. Intangible assets

in thousands of New Zealand dollars	Software	Patents	Capitalised development costs	Total
Cost				
Balance at 1 July 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
Additions	930	150	-	1,080
Impairment	-	-	-	-
Disposals	(386)	(151)	(57)	(594)
Balance at 30 June 2015	**10,976**	**1,075**	**698**	**12,749**
Accumulated amortisation and impairment				
Balance at 1 July 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
Disposals	(312)	(87)	(50)	(449)
Impairment	153	117	-	270
Amortisation	1,186	72	70	1,328
Balance at 30 June 2015	**7,254**	**475**	**698**	**8,427**
Net book value at 30 June 2014	4,205	703	77	4,985
Net book value at 30 June 2015	**3,722**	**600**	**-**	**4,322**

An impairment review of intangible assets was undertaken by the Group at year end. This review resulted in an impairment adjustment of $270,000 of software and patent intangibles where carrying values exceeded estimated recoverable amounts.

9. Trade receivables

in thousands of New Zealand dollars	**2015**	2014
Trade receivables	**9,042**	8,274
Allowance for doubtful debts	**(24)**	(70)
	9,018	8,204

The carrying value of receivables approximates their fair value. As at 30 June 2015, 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	**1,197**	941
Past due 30-60 days	**74**	45
Past due over 61 days	**1,387**	422
	2,658	1,408

(b) Movement in the provision for doubtful debts

Balance at 1 July	**70**	72
Accounts written off during the year	**(73)**	(17)
Increase in allowance recognised in profit or loss	**63**	48
Reversal of impairment losses on receivables	**(36)**	(33)
	24	70

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

10. Deferred tax liability

(a) Analysis of temporary differences

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

Property, plant and equipment	**1,668**	1,704
Intangible assets	**472**	504
Provisions	**(1,228)**	(1,202)
Doubtful debts	**(7)**	(20)
Capitalised relocation expenses	**(4)**	(5)
Deferred tax recognised at 30 June	**901**	981

(b) Movements in deferred tax

Balance at 1 July	**981**	1,257
Charged to income	**(92)**	(335)
Adjustments - prior year	**12**	59
	(80)	(276)
	901	981

Under Section OB1(2)(d) of the Income Tax Act (2007), Crown Research Institutes are not required to maintain an imputation credit account.

11. Provisions

	Current		Non-current	
in thousands of New Zealand dollars	**2015**	2014	**2015**	2014
Annual leave	**2,324**	1,925	**520**	823
Long service leave	**267**	115	**903**	980
Retirement leave	**109**	131	**323**	337
Total annual leave	**2,700**	2,171	**1,746**	2,140

12. Trade and other payables

	2015	2014
Trade payables	**5,329**	4,871
Accrued expenses	**2,857**	2,905
Other payables	**532**	343
Total payables	**8,718**	8,119

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.

13. Provision for dividend

On 15 August 2014 a dividend of $250,000 was paid to holders of fully paid ordinary shares in respect of the 2014 financial year.
On 24 June 2015 the Directors approved a dividend of $250,000 in respect of the current financial year which was paid to shareholders on 10 August 2015.

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

in thousands of New Zealand dollars	**2015**	2014
Profit after tax	**1,752**	1,547
Add/(less) items classified as investing activities:		
Net gain on disposal of property, plant and equipment	**(15)**	(23)
Impairment of intangible assets	**270**	-
Gain on sale of intellectual property	**(1,120)**	-
	(865)	(23)
Adjust non-cash items:		
Depreciation	**4,224**	4,000
Amortisation	**1,328**	1,376
Impairment loss recognised on NZ Synchrotron Group investment	**-**	13
Bad and doubtful accounts	**25**	23
Net unrealised exchange gains	**(143)**	(12)
(Decrease)/increase in provision for income tax	**(463)**	422
Decrease in deferred tax	**(80)**	(276)
(Decrease)/increase in non-current provisions	**(394)**	79
	4,497	5,625
Add/(less) movements in working capital items:		
Increase in accounts receivable and prepayments	**(1,176)**	(2,453)
(Decrease)/increase in payables, current provisions and revenue in advance	**153**	2,574
Increase in work in progress	**(360)**	(1,209)
	(1,383)	(1,088)
Net cash flows from operating activities	**4,001**	6,061

15. Related party transactions

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

Short-term benefits	**1,755**	1,819

The comparative figure has been changed to reflect a change in management structure during the year and the definition of key management personnel.

16. Financial instruments

(a) Capital risk management

The Group 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 Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and retained earnings.

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

(b) Categories of financial instruments

in thousands of New Zealand dollars	**2015**	2014
Financial assets – loans and receivables		
Cash and cash equivalents	**6,546**	7,267
Trade and other receivables	**9,018**	8,204
Total financial assets	**15,564**	15,471
Financial liabilities measured at amortised cost		
Trade and other payables	**(8,718)**	(8,119)

(c) Financial risk management objectives

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

The Group 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 Group does not enter into financial instruments for speculative purposes.

(d) Market risk

The Group'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 Group's exposure to market risks or the manner in which it manages and measures the risk. The Group is not exposed to substantial other market risk arising from financial instruments.

(e) Currency risk

The Group 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 Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
in thousands of New Zealand dollars	**2015**	2014	**2015**	2014
GBP Sterling	**(35)**	(11)	**-**	4
US Dollar	**(649)**	(787)	**3,215**	1,011
Norwegian Krona	**-**	(15)	**-**	-
Japanese Yen	**-**	-	**-**	43
Euro	**(1)**	(9)	**23**	91
Australian Dollar	**(504)**	(11)	**226**	132
	(1,189)	(833)	**3,464**	1,281

The Group 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 2015, 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 Group would have been decreased by $79,000 (2014: $21,000), as follows:

in thousands of New Zealand dollars	**2015**	2014
GBP Sterling	**2**	1
US Dollar	**(98)**	(11)
Norwegian Krona	**-**	1
Japanese Yen	**-**	(2)
Euro	**(1)**	(4)
Australian Dollar	**18**	(6)
	(79)	(21)

A 5% weakening of the NZD would have increased the profit for the year for the Group by $149,000 (2014: $23,000), as follows:

GBP Sterling	**(2)**	(1)
US Dollar	**159**	12
Norwegian Krona	**-**	(1)
Japanese Yen	**-**	2
Euro	**1**	5
Australian Dollar	**(9)**	6
	149	23

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

In managing interest rate risks the Group 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 increase/decrease by $33,000 (2014: $30,500).

(h) Credit risk management

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

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

No collateral is held by the Group 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 Group 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, all of which are of a short-term nature.

(j) Fair value of financial instruments

At 30 June the Group had the following forward currency contracts for the purchase of Canadian dollars (2014 : United States dollars) to cover firm foreign currency commitments.

in thousands of dollars	Foreign currency		Contract value (NZD)		Fair value (NZD)	
Outstanding contracts	**2015**	2014	**2015**	2014	**2015**	2014
Less than three months	**131**	300	**157**	343	**-**	-
More than three months	**-**	93	**-**	107	**-**	-
Total outstanding contracts	**131**	393	**157**	450	**-**	-

17. Commitments

(a) Non-cancellable operating lease commitments

in thousands of New Zealand dollars	**2015**	2014
Within one year	**147**	117
Between one and five years	**166**	41
Over five years	**-**	-
Total lease commitments	**313**	158

(b) Capital commitments

Capital commitments	**2,791**	3,576

18. Contingent liabilities

The Group has no contingent liabilities (2014: $nil).

19. Events after the balance date

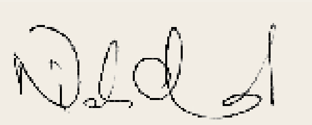
There were no significant events after the balance date (2014: none).

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.



Dr Nicola Crauford
Chairman

Hon Ken Shirley
Deputy Chairman

26 August 2015
Date of Approval

To the readers of the Institute of Geological and Nuclear Sciences Limited group's Financial Statements for the year ended 30 June 2015

The Auditor-General is the auditor of Institute of Geological and Nuclear Sciences Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, Trevor Deed, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the group, consisting of Institute of Geological and Nuclear Sciences Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 68 to 83, that comprise the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards.

Our audit was completed on 28 August 2015. 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 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 preparation of the Group's financial statements 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 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 the 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.

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 the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards.

The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992.

The Board of Directors is 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.

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.

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 Group.

Trevor Deed
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the Institute of Geological and Nuclear Sciences Limited group's financial statements for the year ended 30 June 2015 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 28 August 2015 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.