


GNS SCIENCE
2021 ANNUAL REPORT
PART 2 – REPORTS AND FINANCIAL STATEMENTS





Our science delivers tangible benefits to help Aotearoa New Zealand move towards a Cleaner, Safer, More Prosperous future.

Cover image and inside front cover image: GNS Science staff install seismic equipment in coastal southern Hawke's Bay to record small earthquakes associated with a slow-slip event on the Hikurangi subduction zone under the east coast of the North Island.



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Presented to the House of Representatives pursuant to the Crown Research Institutes Act 1992.

Our Annual Report is presented in two parts – Highlights (Part 1) and Reports and Financial Statements (Part 2). Together, these documents fulfil our annual reporting responsibilities under the Crown Research Institutes Act 1992 for the year ended 30 June 2021.

The Reports and Financial Statements (Part 2) includes performance indicators, the report of the directors, financial statements, and independent auditor's report.

Our Annual Report is also available in digital format at www.gns.cri.nz

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www.gns.cri.nz

PERFORMANCE INDICATORS

For the year ended 30 June 2021

NON-FINANCIAL INDICATORS

Indicator	Measure	Actual	Target
Strategic intent			
Priority setting	Surveyed end-users have confidence that GNS Science considers their sector's priorities when setting their research priorities	76%	>70%
Team selection	Surveyed end-users have confidence that GNS Science has assembled 'best' teams for research delivery	88%	>85%
Science impact			
Research delivery	Research milestones (critical steps) on track or completed	87%	>87%
Impact case studies	Impact case studies published	3	3
Knowledge exchange	Surveyed end-users have adopted knowledge from GNS Science in the past three years	76%	>90%
Science excellence			
Peer-review	Programme reviews carried out	3	3
Science quality	Impact of scientific publications (weighted citation index)*	3.95	3.20
Research collaboration	Papers co-authored	88%	92%
Science relevance			
End-user collaboration	Revenue per FTE from commercial sources (\$000s)	69	56
Technology and knowledge transfer	Commercial reports per scientist FTE	1.13	1.00
Financial			
Revenue generation	Revenue per FTE (\$000s)	233	228
Embedding Vision Mātauranga			
Māori engagement	Projects with Māori stakeholders embedded in the research	14	5
People and culture			
Health and Safety	Recordable injuries per 200,000 work hours (rolling 12-month average)	1.4	<2.5
Staff engagement**	Percentage of staff proud to work for GNS Science (Biennial climate survey)	72%	68%

* Mean 2-year impact factor for SCImago-assessed journals, weighted by the number of GNS Science publications.

** Based on the Qualtrics Survey cluster of questions and definition for staff engagement.

FINANCIAL PERFORMANCE INDICATORS

	Actual 2021	Budget 2021	Actual 2020
Revenue (\$000)			
Revenue	107,252	103,645	95,416
Revenue growth	12.4%	5%	0.1%
Operating results (\$000)			
Operating expenses (including depreciation and amortisation)	98,835	102,996	95,736
EBITDA	13,827	6,528	4,912
EBIT	8,417	649	(320)
Profit before tax	8,552	1,149	(2)
Profit after tax	6,132	827	431
EBITDA per FTE	30	16	11
Total assets	74,147	59,865	61,130
Total equity	41,127	35,786	34,995
Capital expenditure	4,936	6,500	5,554
Liquidity			
Quick ratio	3.0	2.3	2.3
Profitability			
Return on equity	17.5%	2.4%	1.2%
Operating margin	12.9%	6.3%	5.1%
Operational risk			
Profit volatility	46.0%	26.9%	33.6%
Forecasting risk	6.8%	(1.4%)	(2.6%)
Growth/Investment			
Capital renewal (before impairment adjustments)	0.9	1.1	1.1
Dividend (\$000)	-	-	-
Financial strength			
Equity ratio	55.5%	59.8%	57.2%

CORPORATE GOVERNANCE

OVERVIEW

The Board is committed to ensuring that the Company and its subsidiaries maintain the highest standards of corporate governance, ethics, corporate behaviour and accountability. The basis for these is set out in the Board's Charter and in the 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, who is also the Responsible Minister) for governing, directing and controlling the activities of the Company. This includes:

- setting the Company's strategic direction and agreeing the goals in line with the Statement of Core Purpose and annual Statement of Corporate Intent
- overseeing the GNS Science operation and monitoring management performance against plans to ensure GNS Science is achieving the agreed goals
- ensuring there is an appropriate policy framework and approving key policies
- setting the GNS Science risk tolerance and ensuring that effective risk management and regulatory compliance policies and procedures are in place
- setting the direction for health and safety management and ensuring that it is achieved.

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 Leadership Team whose role is to implement the strategies and plans for achieving the Company's objectives. A formal Delegated and Financial Authorities Policy sets the operational and expenditure delegations within which the Chief Executive and the Executive Leadership Team operate.

APPOINTMENT OF DIRECTORS AND COMPOSITION OF THE BOARD

Under the Company's Constitution, the Board can comprise up to nine non-executive Directors. The Directors, Chair and Deputy Chair are appointed by Cabinet on the recommendation of the Responsible Minister. The term is generally for three years with reappointment for further terms at the discretion of the shareholders. The GNS Science Board consisted of six Directors until 31 March 2021. Following the retirement of one Director on 31 March 2021, at the end of her term, there were five Directors on the GNS Board. A second Director retired at the end of the financial year.

With the appointment of an interim Audit and Risk Committee Chair from 1 April, the Board considers that it has an appropriate mix of skills, experience and independence to ensure that the Company is governed in a manner that guarantees the interests of shareholders are represented and protected.

On appointment, Directors receive guidelines on the shareholders' expectations, which are in addition to the requirements of the Companies Act 1993. They have access to online resources that contain key information and documents about the Company, its subsidiaries and their operations. New Directors also have the benefit of an induction programme to provide them with an understanding of the Company's business and the markets in which it operates.

Each Director has the right, with the prior approval of the Board, to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings to assist in fulfilling their duties and responsibilities as Directors.

DIRECTORS' MEETINGS

There were 13 formal Board meetings during the year ended 30 June 2021. Two of those meetings were special meetings of the Board to discuss the prosecution of the Company under the Health and Safety at Work Act 2015 in relation to the Whakaari/White Island eruption. One special meeting was held to discuss quarterly reporting.

There was one additional meeting of the Board dedicated to consideration of the Company's strategic direction.

There was a programme of site visits and presentations to the Board by the Executive Leadership Team, management and science staff, and regular interaction with key stakeholders which enabled Directors to keep abreast of key aspects of the Company's activities.

OPERATION OF THE BOARD

The Board operates in accordance with the Board Charter. It had four standing committees operating during the year – the Audit and Risk Committee, the People and Culture Committee, the Health, Safety and Environment Committee, and the Science Committee. All committees operate in accordance with a Terms of Reference approved by the Board. Each committee establishes annual work plans and undertakes an annual review of its Terms of Reference and performance. The table below shows Director attendance at Board meetings and committee member attendance at committee meetings. In addition, any Director may attend any committee meeting.

	Board Meetings		Audit and Risk Committee		People and Culture Committee		Health, Safety and Environment Committee		Science Committee	
	No.	No. attended	No.	No. attended	No.	No. attended	No.	No. attended	No.	No. attended
Nicola Crauford	13	13	5	4	4	4	3	3	3	3
Sarah Haydon ^a	9 ^c	9	4 ^c	4	4	2	-	-	-	-
Chris Bush	13	12	5	4	-	-	3	3	-	-
John Sharpe	13	13	5	5	-	-	-	-	3	3
Paul White	13	13	-	-	4	4	3	3	-	-
Felicity Evans	13	13	-	-	4	4	-	-	-	-
Paul Connell ^b	-	-	1 ^c	1	-	-	-	-	-	-

^a Sarah Haydon retired on 31 March 2021

^b Paul Connell was appointed interim Audit and Risk Committee Chair from 1 April 2021

^c Shows the number of meetings held during term appointed

BOARD EVALUATION

During the year the Board undertook an evaluation of its performance. It was a self-evaluation. The results of the evaluation were provided to the Responsible Minister's representatives.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee supports the Board in fulfilling its responsibilities in relation to financial reporting, external audit, risk management, legislative compliance and internal audit.

PEOPLE AND CULTURE COMMITTEE

The People and Culture Committee supports the Board in fulfilling its responsibilities in relation to remuneration policy and organisational culture, and the recruitment, remuneration and performance of the Chief Executive and senior leadership.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

This Committee supports the Board in fulfilling its responsibilities relating to health, safety and environment matters. The committee reviews and recommends to the Board targets for health, safety and environment performance, assesses performance against those targets, assures that the Company has adequate resources to operate the business safely and reviews serious incidents and audit results, evaluating responses and being satisfied with the adequacy of management actions.

SCIENCE COMMITTEE

The Science Committee supports the Board in fulfilling its responsibilities on the direction, and effectiveness of research activities undertaken by the Company. Three meetings were held during the year in conjunction with a meeting of the Strategic Scientific and User Advisory Panel (SSUAP), which is a standing advisory panel to the Board.

STRATEGIC SCIENTIFIC AND USER ADVISORY PANEL

The Board receives advice from the Strategic Scientific and User Advisory Panel. The purpose of the Panel is to ensure our science continues to have a focus on excellence and that we are well tuned in to national and international trends and associated opportunities. Panel members have broad experience and insight across all our science themes and provide strong end-user perspectives. Profiles of the Panel members can be found on page 68 of Part 1 of this Annual Report.

The report of the SSUAP and GNS Science's response was considered by the Science Committee and discussed by the Board at the June Board meeting. A number of actions will be implemented as a result of the recommendations contained in the advisory panel report. The Board will be updated on progress towards completion of those actions through quarterly reporting by GNS Science management.

INTERNAL AUDIT AND RISK MANAGEMENT

The GNS Science internal audit plan is developed by the Risk and Assurance Manager and outsourced Internal Auditor (KPMG) in consultation with the Audit and Risk Committee and approved by the Board. Quarterly reporting on progress with the internal audit plan, and progress with internal and external audit recommendations are presented to the Audit and Risk Committee. The Internal Auditor has access to management and the right to seek information and explanation. The Audit Committee meets quarterly with the Internal Auditor without management present.

GNS Science has an established framework for managing risk to inform strategic and business planning processes, optimise allocation of resources and allow the Company to effectively recognise, prioritise and respond to risks. Risks are monitored and assessed and reported quarterly to the Audit and Risk Committee and the Board.

EXTERNAL AUDITORS

GNS Science is committed to ensuring that the external audit provider is able to carry out its functions independently. Our Auditor Independence Policy sets out the framework under which we ensure the independence of the external auditor is maintained at all times both in fact and appearance, such that the audit opinion is highly reliable and credible. The Office of the Auditor-General has appointed Deloitte to perform the statutory audit during the year ended 30 June 2021. Deloitte personnel attended four Audit and Risk Committee meetings during the year.

The external auditor may provide non-audit services where these are approved in advance by the Board as being appropriate. No such services were provided by the external auditor for the year 30 June 2021.

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 may not be entitled to partake in discussions (at the Board's discretion) and will not be entitled to 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 start of each Board meeting.

PROVISION OF PROFESSIONAL SERVICES

Except in exceptional circumstances, Directors will not provide professional services to the Company and will only do so with the prior approval of the Responsible Minister. This is to avoid a conflict of interest – actual or perceived. No such services were provided by Directors during the year.

REPORT OF THE DIRECTORS

For the year ended 30 June 2021

The Directors are pleased to present the audited financial statements of GNS Science for the year ended 30 June 2021. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the Financial Reporting Act 1993.

The Controller and Auditor-General is the statutory auditor pursuant to section 21 of the Crown Research Institutes Act 1992. The Office of the Auditor-General, pursuant to section 29 of the Public Finance Act 1977, has appointed Deloitte to undertake the audit on its behalf.

PRINCIPAL ACTIVITY

GNS Science's principal activity is to conduct scientific research, consultancy services, 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 CHANGES DURING THE YEAR

The following changes affected the membership of the Board for the year ended 30 June 2021:

Director	Date commenced	Term completed
Sarah Haydon ¹	1 July 2014	31 March 2021
Chris Bush	1 January 2016	30 June 2021

¹Term completed as Director and Chair of the Audit and Risk Committee.

REMUNERATION OF DIRECTORS

Directors' fees are set by the shareholding Ministers annually. Fees paid to Directors for services as a Director, including membership of Board Committees and other expenses, during the year were as follows:

Director	Date commenced	2021 \$	2020 \$
Nicola Crauford	1 July 2015	47,356	47,356
Sarah Haydon	1 July 2014	22,199	29,598
Chris Bush	1 January 2016	23,678	23,678
John Sharpe	1 September 2016	23,678	23,678
Paul White	14 August 2017	23,678	23,678
Felicity Evans	1 July 2018	23,678	23,678

No Director during the year either received (or became entitled to receive) any benefit other than the disclosed Directors' Fees.

Sarah Haydon's term on the Board expired on 31 March 2021.

Chris Bush's term on the Board expired on 30 June 2021.

CHIEF EXECUTIVE REMUNERATION

The Chief Executive's remuneration is approved by the Board, on the recommendation of the People and Culture Committee. External advice is incorporated as needed, and recommendations are made to the Board in regard to the Chief Executive's contractual arrangements, including remuneration.

The overarching elements of the approach to remuneration for the Chief Executive (consistent with all GNS Science staff) include: simplicity, clarity, fairness and consistency of application, along with:

1. A holistic view of reward;
2. An appropriate link between reward and business performance;
3. A rewards programme that helps to drive a positive and enabling culture;
4. People being rewarded competitively in a context of affordability;
5. Regular review and analysis of the effectiveness and fairness of the remuneration and rewards framework to ensure it continues to meet both GNS Science and employee needs.

Ian Simpson was appointed Chief Executive in January 2017. His remuneration comprises salary and KiwiSaver benefits, and does not include any separate component conditional on performance. His annual remuneration has been as follows:

	FY 2018 \$	FY 2019 \$	FY 2020 \$	FY 2021 \$
Salary	461,165	468,932	468,932	468,932
KiwiSaver	13,835	14,068	14,068	14,068
Total	475,000	483,000	483,000	483,000

The previous Chief Executive, Mike McWilliams, was appointed from September 2013 to May 2016. In the last full financial year of his tenure (FY2015) his remuneration was:

	FY 2015 \$
Salary	423,433
At Risk Component	76,125
Total	499,558

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:

\$000	2021	2020
100-110	41	45
110-120	28	26
120-130	39	32
130-140	20	14
140-150	15	17
150-160	10	11
160-170	11	8
170-180	8	5
180-190	6	7
190-200	6	4
200-210	4	3
210-220	-	-
220-230	2	1
230-240	-	1
240-250	-	2
250-260	1	1
260-270	-	1
270-280	-	1
280-290	1	2
290-300	-	-
330-340	1	1
480-490	1	1
Total	196	183

SUBSIDIARIES

The Company has five subsidiary companies:

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

Dr Nicola Crauford and Ian Simpson were Directors of each of the subsidiary companies at 30 June 2021.

DIVIDENDS

No dividend was declared during the year to 30 June 2021 (2020: \$nil).

DIRECTORS' INDEMNITY AND INTERESTS

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 29 November 2017, whereby the Company indemnifies Directors against any liability for any act or omissions incurred in their capacity as a Director. The indemnity for liabilities incurred does not extend to criminal liability or liability for breach of a fiduciary duty owed to the Company.

Directors' interests disclosed at 30 June 2021 are set out in the table below. These interests have been appropriately recorded in the Company's Disclosure of Interests Register, which is updated monthly.

Director	Position	Organisation
Nicola Crauford	Director	Watercare Services Limited
	Director and Shareholder	Riposte Consulting Limited
	Director	CentrePort Limited and subsidiaries
	Trustee	Wellington Regional Stadium Trust
	Chair	Electricity Authority
John Sharpe	Director	STGenetics New Zealand Limited
	Director and Shareholder	Weka Labs Limited
	Director	Chronoptics Limited
Paul White	Member	Te Rarawa Iwi
	Director	Te Rarawa Tō Tātou Kāinga Limited
	Director	Top Energy Limited and subsidiaries
	Council Member	Kaunihera Māori, Heritage NZ Pouhere Taonga
	Director and Shareholder	Torea Tai Consultants Limited
	Executive Member	Te Matapihi (Māori housing body)
	Governance Group Member	Sector Climate Change Commitment; Māori Workstream
Felicity Evans	Director	NZ Global Women
	Member	Defence Employer Support Council (DESC)
	Member	Advisory Board of Dignity Limited

EVENTS AFTER 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, Crown Entities Act 2004 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.

For and on behalf of the Board



Dr Nicola Crauford
Chair

7 September 2021

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

<i>in thousands of New Zealand dollars</i>	Note	Actual 2021	Actual 2020	Budget 2021
Revenue				
Research contracts		64,550	59,429	68,504
Commercial		16,233	12,214	10,517
GeoNet services		21,910	19,300	21,058
Other income		4,559	4,473	4,170
Total revenue	2	107,252	95,416	104,249
Operating expenses				
Employee benefit expenses		49,581	47,587	55,716
Other operating expenses	3	43,844	42,917	42,742
Total operating expenses		93,425	90,504	98,458
Profit before interest, tax, depreciation and amortisation		13,827	4,912	5,790
Depreciation	6	5,185	4,848	5,525
Amortisation and impairment	7	225	384	-
Profit/(loss) before interest and tax		8,417	(320)	265
Interest income		139	320	250
Finance expense		(4)	(2)	-
Profit/(loss) before tax		8,552	(2)	515
Income tax (expense)/benefit	4	(2,420)	433	(144)
Profit after tax		6,132	431	371
Other comprehensive income		-	-	-
Total comprehensive income attributable to owners		6,132	431	371

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

<i>in thousands of New Zealand dollars</i>	Share capital	Equity reserves Retained earnings	Total equity
Balance at 30 June 2020	6,167	28,828	34,995
Profit after tax	-	6,132	6,132
Balance at 30 June 2021	6,167	34,960	41,127

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

<i>in thousands of New Zealand dollars</i>	Note	Actual 2021	Actual 2020
Equity			
Share capital	5	6,167	6,167
Equity reserves		34,960	28,828
Total equity		41,127	34,995
<i>Represented by:</i>			
Non-current assets			
Property, plant and equipment	6	27,339	27,691
Intangible assets	7	360	448
Investments		30	30
Total non-current assets		27,729	28,169
Current assets			
Cash and cash equivalents		25,771	8,591
Short term investments		8,079	11,073
Trade receivables	8	5,755	8,305
Prepayments		2,609	2,652
Deferred tax	9	1,907	1,572
Work in progress	2	2,297	2,340
Total current assets		46,418	34,533
Total assets		74,147	62,702
Non-current liabilities			
Non-current provisions	10	1,279	1,313
Total non-current liabilities		1,279	1,313
Current liabilities			
Trade and other payables	11	10,009	8,425
Current provisions	10	3,640	3,552
Revenue in advance	2	15,833	14,200
Provision for income tax		2,259	217
Provision for dividend	5	-	-
Total current liabilities		31,741	26,394
Total liabilities		33,020	27,707
Net assets		41,127	34,995

The accompanying notes form part of these financial statements.

For and on behalf of the Board:



Dr Nicola Crauford
Chair

7 September 2021



Dr John Sharpe
Director

7 September 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

<i>in thousands of New Zealand dollars</i>	Note	Actual 2021	Actual 2020
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		107,228	93,201
Government Grant (COVID funding)		4,170	4,170
Interest received		219	459
		111,617	97,830
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(91,806)	(89,800)
Interest paid		(4)	(2)
Income tax paid		(713)	(394)
		(92,523)	(90,196)
Net cash flows from operating activities	12	19,094	7,634
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		29	580
Maturity of short term investments		16,111	17,500
		16,140	18,080
<i>Cash was applied to:</i>			
Purchase of property, plant, equipment and intangible assets		(4,936)	(6,180)
Placement of short term investments		(13,118)	(21,073)
		(18,054)	(27,253)
Net cash flows from investing activities		(1,914)	(9,173)
Net increase in cash and cash equivalents		17,180	(1,539)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(2)
Opening cash and cash equivalents		8,591	10,132
Closing cash and cash equivalents		25,771	8,591

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. REPORTING ENTITY AND ACTIVITIES

The Institute of Geological and Nuclear Sciences Limited (trading as GNS Science) is established under the Crown Research Institutes Act 1992 and the Companies Act 1993. Its subsidiary companies are established under the Companies Act 1993. These 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 Parent) and its subsidiaries are presented and the effects of intra-group transactions are eliminated in the consolidated financial statements. Subsidiaries are those entities controlled by the Parent. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The wholly owned subsidiaries of the Parent 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 commercial projects, predominantly in New Zealand. GNS Science International Limited holds a 50% interest in EDDI Project, an unincorporated joint operation formed to undertake a contract for dam hazard management in Vietnam.

2. REVENUE

Strategic Science Investment Fund

The Parent is party to a Strategic Science Investment Fund agreement with the Crown to perform research activities that support the Parent's Statement of Core Purpose. Revenue under this contract is treated as a Government Grant under NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. All core funded contracts were completed in accordance with the agreement during the year.

Revenue from other research and commercial contracts

Revenue from other research and commercial contracts is accounted for in accordance with NZ IFRS 15 *Revenue from Contracts with Customers*. Revenue earned from the supply of goods and services is measured at the fair value of consideration received.

The Group recognises revenue based on the consideration to which the Group expects to be entitled in a contract with a customer. Revenue from services is recognised on the stage of completion of the contract. 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.

Where any entitlement condition is not yet met, amounts already received are recorded as a contract liability (revenue in advance). Contract assets (work in progress) are recorded for work performed, where funding is expected but has not yet been received.

Any amounts previously recognised as a contract asset are transferred to Trade Receivables at the point the customer is invoiced for the product or service delivered.

There is not considered to be a significant finance component to the valuation of revenue, due to revenue generally being recognised during the period of related services/products delivery, or within one year.

Revenue for the year was derived as follows:

<i>in thousands of New Zealand dollars</i>	2021	2020
Strategic Science Investment Fund contracts	32,599	27,290
Contestable funding contracts	24,070	24,593
Marsden funding contracts	746	822
Research subcontracts	7,135	6,724
Research contracts	64,550	59,429
Commercial – New Zealand	12,997	7,759
Commercial – overseas	3,236	4,455
Commercial revenue	16,233	12,214
GeoNet services	21,910	19,300
Additional Government Grant	4,170	4,170
Other income	389	303
Total revenue	107,252	95,416

Research revenue related to the GeoNet programme in 2021 has been reclassified into revenue from GeoNet services, and comparatives have also been reclassified to align.

A total of \$11.1m (2020: \$9.1m) of revenue recognised in 2021 relates to funds that were included in contract liabilities (revenue in advance) at 30 June 2020.

In the course of the year, the Group received a further Government Grant of \$4,170,000 (2020: \$4,170,000) in response to the uncertain economic and trading conditions arising from the COVID-19 pandemic.

Movement in contract assets and liabilities

Contract assets and liabilities vary from year to year, dependent on the delivery terms of contracted work, and the timing of agreed invoicing or funding received between the Group and contracted parties.

The movement in contract assets and liabilities, relating to all sources of revenue, is as follows:

<i>in thousands of New Zealand dollars</i>	2021	2020
Contract assets		
Work in progress at 1 July	2,340	3,439
Decrease during the year	(43)	(1,099)
Work in progress at 30 June	2,297	2,340
Contract liabilities		
Revenue in advance at 1 July	14,200	11,412
Increase during the year	1,633	2,788
Revenue in advance at 30 June	15,833	14,200

3. EMPLOYEE BENEFIT EXPENSES AND OPERATING EXPENSES

Employee benefit expenses includes an amount of \$5,604 (2020: \$438,470) relating to termination benefits payable or at risk salary components at 30 June 2021.

Operating expenses are made up as follows:

<i>in thousands of New Zealand dollars</i>	2021	2020
Services and contracts	17,005	15,976
Research contracts	14,994	15,101
Travel and vehicles	1,602	2,560
Site and communication	2,873	2,980
Materials and supplies	5,534	4,325
Conferences and training	1,079	1,147
Rent	330	305
Directors' fees	164	172
Auditor's remuneration – audit services	105	108
Bad debts and credit losses on doubtful debts	56	(5)
Foreign exchange loss	19	–
Loss on disposal of property, plant and equipment	29	–
Other operating expenses	54	248
Total operating expenses	43,844	42,917

Operating expenses in 2021 now include the direct costs of GeoNet, which were previously separated in the Financial Statements. Comparatives have also been reclassified to align.

4. INCOME TAX

The income tax expense is determined as follows:

<i>in thousands of New Zealand dollars</i>	2021	2020
Reconciliation of income tax expense		
Profit/(loss) before income tax	8,552	(2)
Tax at rate of 28%	2,395	–
Non deductible items in determining assessable income	18	14
Adjustment in respect of Buildings Depreciation	–	(395)
Prior period adjustment	7	(52)
Total tax expense/(credit)	2,420	(433)
The taxation charge is represented by		
Current tax	2,085	226
Deferred tax	335	(659)
Total tax expense/(credit)	2,420	(433)

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

5. SHARE CAPITAL

<i>in thousands of New Zealand dollars</i>	2021	2020
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 carries the right to one vote at any annual meeting.

No dividend has been declared for the year ended 30 June 2021 (2020: \$nil).

6. 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 the Statement of Comprehensive Income.

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

Heritage assets – collections, library and databases

The Parent owns various collections, library resources and databases that are an integral part of the research work undertaken by the Parent. These collections are highly specialised and there is no reliable basis for establishing a valuation.

The two major collections are:

The National Paleontological Collection

The National Petrological Reference Collection

<i>in thousands of New Zealand dollars</i>	Land	Buildings and improvements	Plant and machinery	Laboratory equipment	IT equipment	Furniture, fittings and office equipment	Vehicles	Total
Cost								
Balance at 1 July 2019	2,527	22,082	5,093	31,571	8,560	3,889	1,215	74,937
Additions	–	273	–	2,703	2,306	267	5	5,554
Disposals	–	–	(76)	(372)	(1,692)	(32)	(8)	(2,180)
Balance at 30 June 2020	2,527	22,355	5,017	33,902	9,174	4,124	1,212	78,311
Additions	–	457	–	2,577	1,069	439	308	4,850
Disposals	–	–	(2)	(3)	(478)	(33)	(87)	(603)
Balance at 30 June 2021	2,527	22,812	5,015	36,476	9,765	4,530	1,433	82,558
Accumulated depreciation								
Balance at 1 July 2019	–	11,473	2,928	22,469	7,035	2,773	1,048	47,726
Disposals	–	–	–	(235)	(1,682)	(31)	(6)	(1,954)
Depreciation	–	1,251	313	1,904	1,084	227	69	4,848
Balance at 30 June 2020	–	12,724	3,241	24,138	6,437	2,969	1,111	50,620
Disposals	–	–	(1)	(3)	(461)	(33)	(88)	(586)
Depreciation	–	1,213	277	1,859	1,563	211	(62)	(5,185)
Balance at 30 June 2021	–	13,937	3,517	25,994	7,539	3,147	1,085	55,219
Net book value at 30 June 2020	2,527	9,631	1,776	9,764	2,737	1,155	101	27,691
Net book value at 30 June 2021	2,527	8,875	1,498	10,482	2,226	1,383	348	27,339

7. 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
Capitalised development costs	4 – 8 years
Patents	4 – 20 years

<i>in thousands of New Zealand dollars</i>	Software	Patents	Capitalised development costs	Total
Cost				
Balance at 1 July 2019	11,873	604	514	12,991
Additions	15	18	–	33
Disposals	(5,967)	(408)	–	(6,375)
Balance at 30 June 2020	5,921	214	514	6,649
Additions	172	–	–	172
Disposals	–	(77)	–	(77)
Balance at 30 June 2021	6,093	137	514	6,744
Accumulated amortisation				
Balance at 1 July 2019	11,172	459	514	12,145
Amortisation	368	16	–	384
Disposals	(5,969)	(216)	–	(6,185)
Impairment	–	(143)	–	(143)
Balance at 30 June 2020	5,571	116	514	6,201
Amortisation	216	9	–	225
Disposals	–	(42)	–	(42)
Impairment	–	–	–	–
Balance at 30 June 2021	5,787	83	514	6,384
Net book value at 30 June 2020	350	98	–	448
Net book value at 30 June 2021	306	54	–	360

8. TRADE RECEIVABLES

in thousands of New Zealand dollars

	2021	2020
Trade receivables	5,828	8,333
Allowance for credit losses from doubtful debts	(73)	(28)
Total trade receivables	5,755	8,305

Ageing profile of past due trade receivables at balance date

in thousands of New Zealand dollars

	2021	2020
Past due 1-30 days	104	68
Past due 31-60 days	1	72
Past due over 61 days	119	83
Total past due trade receivables	224	223

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in the assessed credit risk since initial recognition of the respective receivable. At 30 June 2021 all overdue receivables have been assessed for impairment and appropriate provisions for estimated credit losses applied.

The credit quality of trade receivables that are past due but not impaired is otherwise considered sound.

The carrying value of receivables is considered to approximate their fair value.

Movement in the allowance for credit losses

in thousands of New Zealand dollars

	2021	2020
Balance at 1 July	28	27
Accounts written off during year	(4)	-
Increase in credit loss allowance recognised in profit/(loss) before tax	64	1
Reversal of credit loss allowances on receivables subsequently received	(16)	-
Total allowance for credit losses at 30 June	72	28

9. DEFERRED TAX

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 assets or liabilities are recognised for 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 assessable income 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.

Analysis of temporary differences

<i>in thousands of New Zealand dollars</i>	2021	2020
<i>Deferred tax assets/(liabilities) arise from the following:</i>		
Property, plant and equipment	213	(118)
Intangible assets	9	(17)
Provisions	1,664	1,699
Allowance for credit losses from doubtful debts	19	6
Capitalised relocation expenses	2	2
Deferred tax asset recognised at 30 June	1,907	1,572

Movements in deferred tax

<i>in thousands of New Zealand dollars</i>	2021	2020
Balance at 1 July	1,572	815
Charged to income	335	659
Adjustments – prior year	–	98
	1,907	1,572
Total deferred tax asset at 30 June	1,907	1,572

The amount charged to income in 2020 included an adjustment in respect of buildings acquired before May 2010, for which a deferred tax liability had been recognised in respect of depreciation, but which may now once again be depreciated for tax purposes.

10. EMPLOYEE ENTITLEMENTS

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 and are classified as current liabilities. 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 and salary levels. During the course of the year, we have adopted the standard New Zealand Treasury model and assumptions for valuing long service leave provisions, resulting in a reduction in non-current long service leave provisions.

<i>in thousands of New Zealand dollars</i>	Current		Non-current	
	2021	2020	2021	2020
Annual leave	3,287	3,227	650	606
Long service leave	332	301	545	594
Retirement leave	21	24	84	113
Total provision for employee entitlements	3,640	3,552	1,279	1,313

11. TRADE AND OTHER PAYABLES

<i>in thousands of New Zealand dollars</i>	2021	2020
Trade payables	2,789	3,172
Accrued expenses	7,220	5,253
Total trade and other payables	10,009	8,425

Trade and other payables are non-interest bearing. GNS Science follows government procurement rules with regard to prompt payment, and seeks to make payment to all domestic suppliers within 10 business days. The carrying value of creditors and other payables approximates their fair value.

12. CASH AND CASH FLOWS

Cash and cash equivalents and short term investments

Cash and cash equivalents consist of deposits at call and short term deposits with original maturities of less than three months. Short term deposits consist of investments with original maturity periods of between three and twelve months and are presented as a separate line item in the financial statements.

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

<i>in thousands of New Zealand dollars</i>	2021	2020
Profit after tax	6,132	431
<i>Add/(less) items classified as investing activities:</i>		
Net (gain) on disposal of property, plant and equipment	(29)	(378)
<i>Adjust non-cash items:</i>		
Depreciation	5,185	4,848
Amortisation and impairment	225	384
Increase in credit allowance for doubtful debts	48	-
Net unrealised exchange gain	-	-
Increase/(decrease) in provision for income tax	2,042	(70)
Increase in deferred tax asset	(335)	(757)
Decrease in non-current provisions	(34)	(327)
	7,131	4,078
<i>Add/(less) movements in working capital items:</i>		
Increase/(decrease) in accounts receivable and prepayments	2,545	(1,704)
Decrease in payables, current provisions and revenue in advance	3,305	3,442
Change in receivables and payables relating to investing activities	(33)	664
Decrease in work in progress	43	1,101
	5,860	3,503
Net cash flows from operating activities	19,094	7,634

13. RELATED PARTY TRANSACTIONS

The Crown is the ultimate shareholder of the Parent. No transactions with New Zealand Government owned entities are considered as related party transactions in terms of NZ IAS 24 *Related Party Disclosures*.

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

<i>in thousands of New Zealand dollars</i>	2021	2020
<i>Key management personnel remuneration comprised:</i>		
Directors' fees	164	171
Salaries and short term benefits of the Chief Executive and Executive Leadership Team	2,259	2,176
	2,423	2,347

Key management personnel, considered to be the Directors and Executive Management, are those people with responsibility and authority for planning, directing and controlling the activities of the entity. A number of key management personnel also provide directorship services to other third-party entities that have transacted with the Group during the reporting period.

The GNS Science Board consisted of six Directors until 31 March 2021. Following the retirement of one Director on 31 March 2021 at the end of her term, there were five Directors on the GNS Science Board. A second Director retired at the end of the financial year.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions between entities in the Group and Damwatch Projects Limited are disclosed below. Damwatch Projects Limited is a related party because it is a 50% partner with GNS Science International Limited, of the EDDI Project, an unincorporated joint operation.

<i>in thousands of New Zealand dollars</i>		Revenue/purchases			Amounts payable/receivable	
		2021	2020		2021	2020
GNS Science International Limited	<i>Revenue</i>	351	124	<i>Payable by GNSI</i>	-	-
JV with Damwatch Projects Limited	<i>Purchases</i>	351	124	<i>Receivable by GNSI</i>	229	53

The amounts owed between the parties are unsecured and have been settled in cash. The debt owed by the joint operation to GNS Science International Limited has been reduced by 50% on consolidation in these accounts: it was paid in full on 1 July 2021. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of any amounts owed between related parties. Distributions owing to GNS Science International Limited at 30 June total \$7,673 (2020: \$5,873).

14. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure that entities in the Group will operate in a financially responsible manner, be financially viable and continue as going concerns.

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

Currency risk

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

These derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately.

At balance date the Group had no forward exchange contracts in place (2020: \$nil).

At 30 June the carrying amounts of the Group's foreign currency denominated assets and liabilities were:

	Liabilities		Assets	
	2021	2020	2021	2020
<i>in thousands of New Zealand dollars</i>				
Australian Dollar	(32)	(23)	56	424
Canadian Dollar	-	(1)	-	-
Euro	(26)	(139)	7	86
Pounds Sterling	-	-	-	-
Japanese Yen	-	-	-	-
US Dollar	(17)	(34)	90	267
	(75)	(197)	153	777

Interest rate risk

The Group has deposits on call as well as 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. Interest rates for short term deposits totalling \$8,079,000 held at 30 June 2021 ranged between 0.55% and 0.91% (2020: 2.75% and 3.30%).

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

Market risk and sensitivity analysis

As at 30 June 2021, if the New Zealand dollar had strengthened by 5% against foreign currencies, with all other variables held constant, the profit before tax for the year would have increased by \$149,000 (2020: increase \$56,000). A 5% weakening of the New Zealand Dollar would have decreased reported profit before tax by \$157,000 (2020: decrease \$59,000).

If interest rates had been 50 basis points higher and all other variables were held constant, reported profit before tax for the year would increase by \$40,000 (2020: \$40,000).

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 Consolidated Statement of Financial Position.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, cash deposits and short term investments, 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. The Group continues to generate sufficient cash flows from operations to meet financial liabilities.

15. COMMITMENTS

Non-cancellable operating lease commitments

The Group has reviewed its lease commitments in light of NZ IFRS 16 *Leases* and has determined that there are none which meet the criteria set out in the standard to be recognised as Right of Use Assets in accordance with that standard.

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.

<i>in thousands of New Zealand dollars</i>	2021	2020
Within one year	162	73
Between one and five years	241	-
Over five years	7	-
Total non-cancellable operating lease commitments	410	73

Capital commitments

<i>in thousands of New Zealand dollars</i>	2021	2020
Contracted and on order	587	856
Authorised but not yet contracted	2,061	725
Total capital commitments	2,648	1,581

16. CONTINGENT LIABILITIES

WorkSafe filed two charges against the Institute of Geological and Nuclear Sciences Limited on 30 November 2020 for offences under the Health and Safety at Work Act 2015. These charges relate to the volcanic eruption on Whakaari/White Island on 9 December 2019. The Group is defending the charges.

The impact of these proceedings cannot be reliably quantified due to uncertainty around the outcome. However, as of 30 June 2021, if both charges are upheld, the maximum fine the Group may incur in respect of each charge is \$1,500,000. The Court may also order the Group to pay reparation.

(2020: \$nil disclosure).

17. EVENTS AFTER THE BALANCE DATE

On 1 July 2021, GNS Science acquired the GeoNet sensor network assets of the Earthquake Commission, at a notional value, by way of grant. These assets will now be owned and operated by GNS Science to provide the GeoNet monitoring service. In accordance with NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* para 23, GNS will now undertake an exercise to fair value the GeoNet assets and the non-monetary grant.

The reintroduction of Level 4 COVID restrictions by the New Zealand government in August 2021 may further affect GNS Science's business.

18. PREPARATION DISCLOSURES

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.

Accounting policies have been applied consistently to all periods presented in the financial statements, as the Group determined that it has no material lease commitments that comply with the criteria set out in the standard.

Measurement basis

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

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.

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.

Interest in joint arrangements

A joint arrangement is an arrangement whereby the Parent 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.

Classification of financial assets and liabilities

The Group's financial assets consist of cash and cash equivalents, short term investments and trade receivables. These are measured at amortised cost. In the case of trade receivables, cost is reduced by an allowance for credit losses for doubtful debts.

The expected credit losses on Trade Receivables are analysed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

Changes in the assessed value of doubtful debts are provided for as a credit risk allowance. New allowances are recognised in the Statement of Comprehensive Income. 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.

Financial liabilities, excluding derivative financial instruments, consist of trade and other payables and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost. Derivative financial instruments are measured at fair value.

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.

Accounting policies where critical estimates have been made include property, plant and equipment, intangible assets, recognition of deferred revenue, impairment of assets and liabilities and employee benefits. Judgement has been applied in determining not to value heritage assets for financial reporting purposes.

New accounting standards

There are no standards and interpretations pending which would materially affect the Group Financial Statements.

Further disclosure for COVID-19

The outbreak of COVID-19 in early 2020 and the subsequent quarantine measures and travel restrictions imposed by the New Zealand government that continue to apply at the time of signing these Financial Statements are causing ongoing disruption to businesses and economic activity. The reintroduction of Level 4 restrictions in August 2021 has shown that such disruptions may continue to affect GNS Science's business into the future.

Nevertheless, upon reviewing the current situation, and noting the strong financial performance in the current financial year despite the ongoing restrictions, the current level of cash reserves, and being more than 85% Crown funded, the Directors are of the opinion the Group is well positioned to remain a going concern for the foreseeable future.

STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of the Group's annual financial statements and statement of performance and for the judgements made in them.

The Board through management 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 and statement of performance for the financial year fairly reflect the financial position and operations of GNS Science.

For and on behalf of the Board:



Dr Nicola Crauford
Chair

7 September 2021



Dr John Sharpe
Director

7 September 2021

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF INSTITUTE OF GEOLOGICAL AND NUCLEAR SCIENCES LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of Institute of Geological and Nuclear Sciences Limited Group (the Group). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 11 to 25, that comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the consolidated 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 2021; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 7 September 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements

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

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

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent and Board approved budget.

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

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



Silvio Bruinsma
For Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

Photograph acknowledgements

Jeff Brass, GNS Science

Cover image and inside front cover image

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Auckland
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Our office locations and staffing

Auckland

12 staff

Wairakei

62 staff

Avalon

341 staff

Gracefield

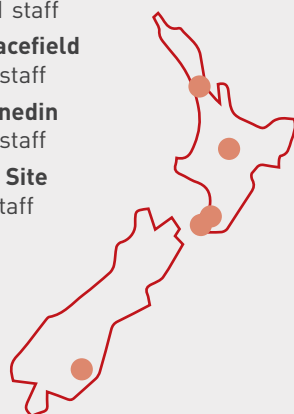
55 staff

Dunedin

10 staff

Off Site

3 staff



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Felicity Evans

Paul White

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Former Deputy Chair

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Tania Gerrard
General Manager,
Māori Strategy and Partnerships

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ANZ

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Deloitte Limited
On behalf of the Auditor-General

Solicitors

Chapman Tripp

Websites

www.gns.cri.nz
www.geonet.org.nz

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