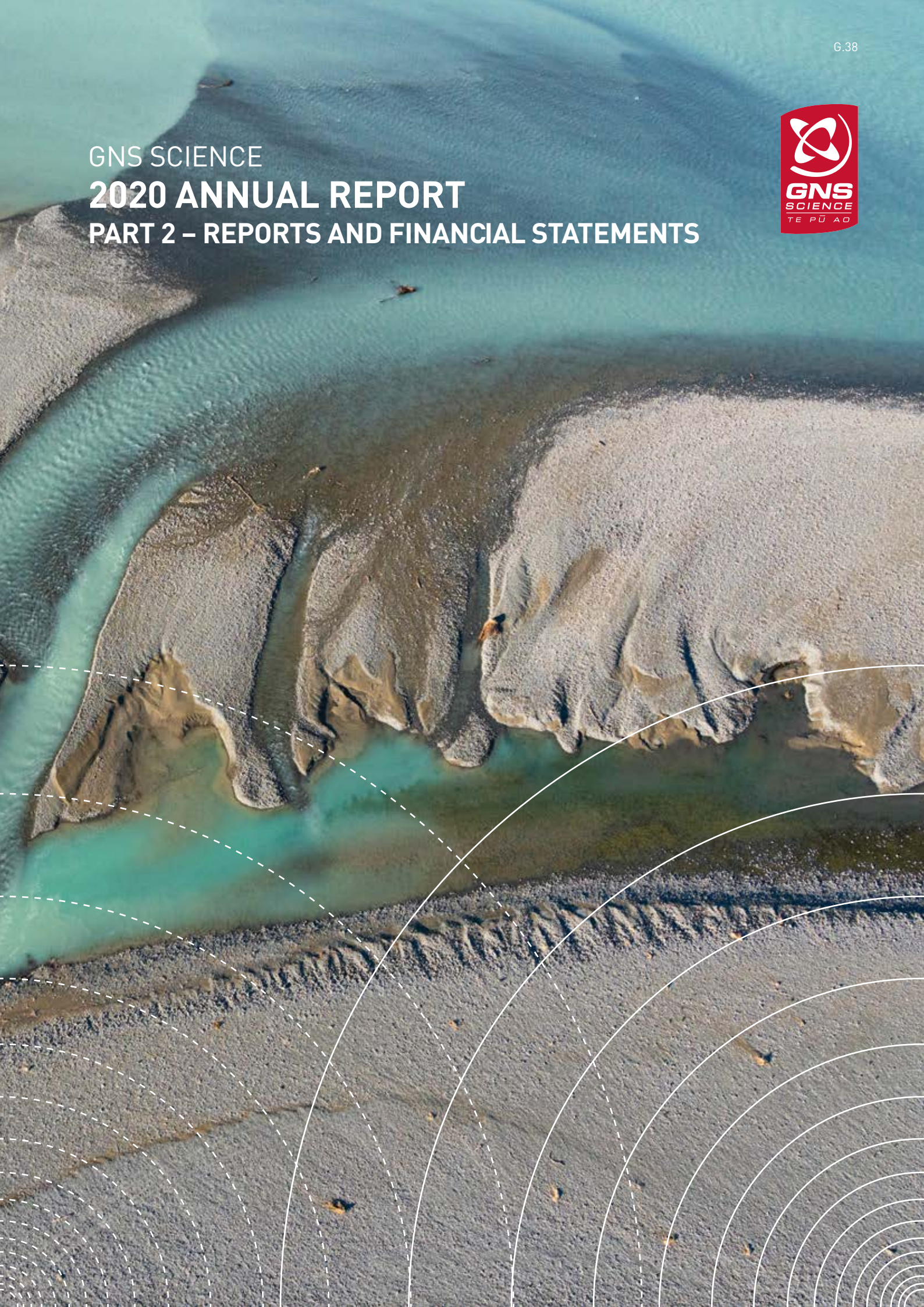


GNS SCIENCE
2020 ANNUAL REPORT
PART 2 – REPORTS AND FINANCIAL STATEMENTS



Our science delivers tangible benefits to help Aotearoa New Zealand move towards a cleaner, safer, more prosperous future.

Cover photo: Braided channels in the Waimakariri River, Canterbury
Inside front cover: Tongaporutu Beach, northern Taranaki coast



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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 2020.

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

Published by:
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www.gns.cri.nz

PERFORMANCE INDICATORS

For the year ended 30 June 2020

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 its research priorities	74%	>70%
Team selection	Surveyed end-users have confidence that GNS Science has assembled 'best' teams for research delivery	73%	>70%
Science impact			
Research delivery	Research milestones (critical steps) on track or completed	83%	>85%
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	81%	>90%
Science excellence			
Peer-review	Programme reviews carried out	5	5
Science quality	Impact of scientific publications (weighted citation index)	3.99	3
Research collaboration	Papers co-authored	89%	91%
Science relevance			
End-user collaboration	Revenue per FTE from commercial sources (\$000s)	73	78
Technology and knowledge transfer	Commercial reports per scientist FTE ¹	1.05	2
Financial			
Revenue generation	Revenue per FTE (\$000s)	220	244
Embedding Vision Mātauranga			
Māori engagement	Projects with Māori stakeholders embedded in the research	11	5
People and culture			
Health and safety	Recordable injuries per 200,000 work hours (rolling 12-month average)	0.5	<3
Staff engagement	Percentage of staff proud to work for GNS Science (Biennial climate survey)	64%	65%

¹ Data for this KPI currently only captures formal written reports. Increasingly, delivery of value to clients and other stakeholders is enabled in other ways (e.g. science communication, emergency response advice, engagement and knowledge transfer to community groups, provision of online information and data-led products). The 2019/20 target (2) was increased from the previous target (1) to reflect an intent (not yet realised) to capture a broader suite of technology and knowledge transfer in our reporting.

FINANCIAL PERFORMANCE INDICATORS

	Actual 2020	Budget 2020	Actual 2019
Revenue (\$000)			
Revenue	95,416	103,645	95,314
Revenue growth	0.1%	5%	8%
Operating results (\$000)			
Operating expenses (including depreciation and amortisation)	95,736	102,996	94,926
Profit before interest, tax, depreciation and amortisation (EBITDA)	4,912	6,528	5,897
Profit/(loss) before interest and tax (EBIT)	(320)	649	388
Profit before tax	(2)	1,149	1,026
Profit after tax	431	827	455
EBITDA per FTE	11	16	14
Total assets	62,702	56,818	59,226
Total equity	34,995	35,391	34,564
Capital expenditure	5,554	6,500	4,192
Liquidity			
Quick ratio	2.3	2.3	2.2
Profitability			
Return on equity	1.2%	2.3%	1.3%
Operating margin	5.1%	6.3%	6.2%
Operational risk			
Profit volatility	33.6%	26.9%	29.3%
Forecasting risk	(2.6%)	(1.4%)	(2.8%)
Growth/investment			
Capital renewal (before impairment adjustments)	1.1	1.1	0.7
Dividend (\$000)	-	-	-
Financial strength			
Equity ratio	55.8%	62.3%	58%

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 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 GNS Science's risk appetite 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 financial 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 shareholding Ministers. During the year, the GNS Science Board consisted of six directors. 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 shareholder's expectations, which are in addition to the requirements of the Companies Act 1993. They have access to on-line 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.

BOARD MEETINGS

The Board had 11 meetings during the year ended 30 June 2020 with one additional meeting 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 are operating 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	12	11	4	3	4	4	3	3	2	2
Sarah Haydon	12	12	4	4	-	-	-	-	-	-
Chris Bush	12	11	4	4	-	-	3	3	-	-
John Sharpe	12	12	4	4	-	-	-	-	2	2
Paul White	12	10	-	-	-	-	3	2	-	-
Felicity Evans	12	12	-	-	4	4	-	-	-	-

Matters discussed by the committees were reported back to the subsequent Board meeting and key items were discussed and resolved by the full Board.

BOARD EVALUATION

During the year the Board undertook an evaluation of its performance. This was a self-evaluation following a full review by an external party (The Institute of Directors) in 2018. 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. Two meetings were held during the year in conjunction with a meeting of the Strategic Science and User Advisory Panel (SSUAP) which is a standing advisory panel to the Board. The report of the advisory panel and GNS Science's response are considered by the Science Committee and discussed by the Board.

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, 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 and Risk 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 2020. Deloitte personnel attended three 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 ended 30 June 2020.

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 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 2020

The Directors are pleased to present the audited financial statements of GNS Science for the year ended 30 June 2020. 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 Limited 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

There were no changes to the Board for the year ended 30 June 2020.

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	2020 \$	2019 \$
Nicola Crauford	1 July 2015	47,356	47,356
Sarah Haydon	1 July 2014	29,598	29,598
Chris Bush	1 January 2016	23,678	23,678
John Sharpe	1 September 2016	23,678	23,678
Steve Weaver	1 July 2010	-	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 neither received (nor became entitled to receive) any benefit other than the disclosed Directors' fees.

Steve Weaver resigned from the Board on 30 June 2019.

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 Kiwi Saver benefits, and has no separate component conditional on performance. His annual remuneration has been as follows:

	FY2018 \$	FY2019 \$	FY2020 \$
Salary	461,165	468,932	468,932
Kiwi Saver	13,835	14,068	14,068
Total	475,000	483,000	483,000

Comparative information is provided for the past three years. Changes to the Chief Executive in 2016 and 2017 mean that the data for these years is inconsistent and difficult to compare. It is our intention to provide four years of comparative information in next year's report, and five years of comparative information thereafter.

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	2020	2019
100-110	45	34
110-120	26	27
120-130	32	23
130-140	14	15
140-150	17	12
150-160	11	11
160-170	8	10
170-180	5	6
180-190	7	4
190-200	4	4
200-210	3	-
210-220	-	2
220-230	1	2
230-240	1	1
240-250	2	1
250-260	1	2
260-270	1	1
270-280	1	1
280-290	2	-
290-300	-	1
330-340	1	1
480-490	1	1
Grand Total	183	159

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 2020.

DIVIDENDS

No dividend was declared during the year to 30 June 2020 (2019: \$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 2020 are set out in the table below. These interests have been appropriately recorded in the Disclosure of Interests Register, which is updated monthly.

Director	Position	Organisation
Nicola Crauford	Director	Environmental Protection Authority
	Director	Watercare Services Limited
	Director and Shareholder	Riposte Consulting Limited
	Member	Electorate Authority, Cooperative Bank Limited
	Director	Pioneer Energy
	Director	Kāinga Ora – Homes and Communities
	Director	CentrePort Limited and subsidiaries
	Trustee	Wellington Regional Stadium Trust
	Member	Stats NZ Advisory Board
Sarah Haydon	Associate	The Boardroom Practice Limited
	Trustee	R&E Seelye Trust
	Director	The Cooperative Bank Limited
	Director	Ports of Auckland Limited
Chris Bush	Director and Shareholder	SRM Solutions Ltd
	Shareholder	QSP Ltd
John Sharpe	Director and Shareholder	Photara Technologies Limited
	Director	Accelerenz Limited
	Director	Sexing Technologies New Zealand Limited
	Director and Shareholder	Weka Labs Limited
	Director	Chronoptics Limited
Paul White	Member	Te Rarawa Iwi
	Chair	Te Rarawa Farming Limited
	Director	Te Rarawa To Tātou Kainga Limited
	Director	Top Energy Limited and subsidiaries
	Council Member	Kaunihera Māori, Heritage NZ Pouhere Taonga
	Director and Shareholder	Torea Tai Consultants Ltd
	Executive Member	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)

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, Crown Entities 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 directive was received from either shareholding Minister in the year.

For and on behalf of the Board



Dr Nicola Crauford
Chair

28 August 2020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

<i>in thousands of New Zealand dollars</i>	Note	Actual 2020	Actual 2019	Budget 2020
Revenue				
Research contracts		64,861	64,519	72,194
Commercial		13,233	18,213	18,493
GeoNet services		12,849	12,523	12,908
Other income		4,473	59	50
Total revenue	2	95,416	95,314	103,645
Operating expenses				
Employee benefit expenses		47,587	45,730	48,424
Other operating expenses	3	38,645	39,484	43,993
GeoNet direct expenses		4,272	4,203	4,700
Total operating expenses		90,504	89,417	97,117
Profit before interest, tax, depreciation and amortisation		4,912	5,897	6,528
Depreciation	6	4,848	4,852	5,879
Amortisation	7	384	657	-
Profit/(loss) before interest and tax		(320)	388	649
Interest income		320	642	500
Interest expense		(2)	(4)	-
Profit/(loss) before tax		(2)	1,026	1,149
Income tax benefit/(expense)	4	433	(571)	(322)
Profit/(loss) after tax		431	455	827
Other comprehensive income		-	-	-
Total comprehensive income attributable to owners		431	455	827

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

<i>in thousands of New Zealand dollars</i>	Share capital	Equity reserves		Total equity
		Retained earnings	Cash flow hedge reserve	
Balance at 30 June 2019	6,167	28,397	-	34,564
Profit after tax	-	431	-	431
Balance at 30 June 2020	6,167	28,828	-	34,995

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

<i>in thousands of New Zealand dollars</i>	Note	Actual 2020	Actual 2019	Budget 2020
Equity				
Share capital	5	6,167	6,167	6,167
Equity reserves		28,828	28,397	29,224
Total equity		34,995	34,564	35,391
<i>Represented by:</i>				
Non-current assets				
Property, plant and equipment	6	27,691	27,211	29,812
Intangible assets	7	448	846	846
Investments		30	30	30
Total non-current assets		28,169	28,087	30,688
Current assets				
Cash and cash equivalents		8,591	10,132	6,565
Short term investments	14	11,073	7,500	7,500
Trade receivables	8	8,305	7,131	7,250
Prepayments		2,652	2,122	2,000
Deferred tax	9	1,572	815	815
Work in progress	2	2,340	3,439	2,000
Total current assets		34,533	31,139	26,130
Total assets		62,702	59,226	56,818
Non-current liabilities				
Non-current provisions	10	1,313	1,640	1,800
Total non-current liabilities		1,313	1,640	1,800
Current liabilities				
Trade and other payables	11	8,425	8,178	8,000
Current provisions	10	3,552	3,145	3,145
Revenue in advance	2	14,200	11,412	8,255
Provision for income tax		217	287	227
Total current liabilities		26,394	23,022	19,627
Total liabilities		27,707	24,662	21,427
Net assets		34,995	34,564	35,391

The accompanying notes form part of these financial statements.

For and on behalf of the Board:

Dr Nicola Crauford
Chair

28 August 2020

Sarah Haydon
Deputy Chair

28 August 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

<i>in thousands of New Zealand dollars</i>	Note	Actual 2020	Actual 2019	Budget 2020
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		97,371	93,064	101,807
Interest received		459	567	500
		97,830	93,631	102,307
<i>Cash was applied to:</i>				
Payments to suppliers and employees		(89,800)	(92,531)	(97,012)
Interest paid		(2)	(4)	–
Income tax paid		(394)	(568)	(382)
		(90,196)	(93,103)	(97,394)
Net cash flows from operating activities	12	7,634	528	4,913
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		580	3	–
Maturity of short term investments		17,500	26,500	7,500
		18,080	26,503	7,500
<i>Cash was applied to:</i>				
Purchase of property, plant, equipment and intangible assets		(6,180)	(4,192)	(8,480)
Placement of short term investments		(21,073)	(15,000)	(7,500)
		(27,253)	(19,192)	(15,980)
Net cash flows from investing activities		(9,173)	7,311	(8,480)
Net increase in cash and cash equivalents		(1,539)	7,839	(3,567)
Effects of exchange rate changes on cash balances held in foreign currencies		(2)	1	–
Opening cash and cash equivalents		10,132	2,292	10,132
Closing cash and cash equivalents		8,591	10,132	6,565

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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>	2020	2019
Strategic Science Investment Fund contracts	32,722	34,502
Contestable funding contracts	24,593	23,693
Marsden funding contracts	822	813
Research subcontracts	6,724	5,511
Research contracts	64,861	64,519
Commercial – New Zealand	8,778	11,579
Commercial – overseas	4,455	6,634
Commercial revenue	13,233	18,213
GeoNet services	12,849	12,523
COVID-19 funding	4,170	-
Other income	303	59
Total revenue	95,416	95,314

A total of \$9.1m (2019: \$10.3m) of revenue recognised in 2020 relates to funds that were included in contract liabilities (revenue in advance) at 30 June 2019.

Movement in contract assets and liabilities

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

<i>in thousands of New Zealand dollars</i>	2020	2019
Contract assets		
Work in progress at 1 July	3,439	2,009
Increase/(decrease) during the year	(1,099)	1,430
Work in progress at 30 June	2,340	3,439
Contract liabilities		
Revenue in advance at 1 July	11,412	11,684
Increase/(decrease) during the year	2,788	(272)
Revenue in advance at 30 June	14,200	11,412

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.

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

3. EMPLOYEE BENEFIT EXPENSES AND OPERATING EXPENSES

Employee benefit expenses includes an amount of \$438,470 (2019: \$528,000) relating to termination benefits payable at 30 June 2020, as the Parent can no longer withdraw the offer of those benefits.

Operating expenses are made up as follows:

<i>in thousands of New Zealand dollars</i>	2020	2019
Services and contracts	14,047	15,909
Research contracts	15,101	14,044
Travel and vehicle	2,206	2,749
Site and communication	2,638	2,434
Materials and supplies	2,794	2,432
Conferences and training	1,034	923
Rent	305	178
Directors' fees	172	195
Auditor's remuneration – audit services	108	107
Bad debts and credit losses on doubtful debts	(5)	(40)
Foreign exchange loss/(gain)	-	15
Loss/(gain) on disposal of property plant and equipment	-	(3)
Other operating expenses	245	541
Total operating expenses	38,645	39,484

4. INCOME TAX

The income tax expense is determined as follows:

<i>in thousands of New Zealand dollars</i>	2020	2019
Reconciliation of income tax expense		
Profit/(loss) before income tax	(2)	(1,026)
Tax at rate of 28%	-	287
Non deductible items in determining assessable income	14	21
Adjustment in respect of Buildings Depreciation reinstatement	(395)	-
Prior period adjustment	(52)	263
Total tax expense/(credit)	(433)	571
The taxation charge is represented by		
Current tax	226	1,147
Deferred tax	(659)	(576)
Total tax expense/(credit)	(433)	571

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>	2020	2019
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.

No dividend has been declared for the year ended 30 June 2020 (2019: \$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 2018	2,527	21,017	4,608	29,833	7,545	3,650	1,199	70,379
Additions	-	1,065	485	1,738	1,015	239	16	4,558
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 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
Accumulated depreciation								
Balance at 1 July 2018	-	10,198	2,601	20,661	5,972	2,523	919	42,874
Disposals	-	-	-	-	-	-	-	-
Depreciation	-	1,275	327	1,808	1,063	250	129	4,852
Balance at 30 June 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
Net book value at 30 June 2019	2,527	10,609	2,165	9,102	1,525	1,116	167	27,211
Net book value at 30 June 2020	2,527	9,631	1,776	9,764	2,737	1,155	101	27,691

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 2018	11,581	588	514	12,683
Additions	292	16	-	308
Disposals	-	-	-	-
Balance at 30 June 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
Accumulated amortisation				
Balance at 1 July 2018	10,696	278	514	11,488
Amortisation	476	38	-	514
Disposals	-	-	-	-
Impairment	-	143	-	143
Balance at 30 June 2019	11,172	459	514	12,145
Amortisation	368	16	-	384
Disposals	(5,968)	(216)	-	(6,184)
Impairment	-	(143)	-	(143)
Balance at 30 June 2020	5,571	116	514	6,201
Net book value at 30 June 2019	701	145	-	846
Net book value at 30 June 2020	350	98	-	448

8. TRADE RECEIVABLES

<i>in thousands of New Zealand dollars</i>	2020	2019
Trade receivables	8,333	7,158
Allowance for credit losses from doubtful debts	(28)	(27)
Total trade receivables	8,305	7,131

Ageing profile of past due trade receivables at balance date

<i>in thousands of New Zealand dollars</i>	2020	2019
Past due 1-30 days	68	410
Past due 31-60 days	72	217
Past due over 61 days	83	193
Total past due trade receivables	223	820

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 2020 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

<i>in thousands of New Zealand dollars</i>	2020	2019
Balance at 1 July	27	114
Accounts written off during the year	-	(47)
Increase in credit loss allowance recognised in profit/loss before tax	1	27
Reversal of credit loss allowance on receivables subsequently received	-	(67)
Total allowance for credit losses at 30 June	28	27

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>	2020	2019
<i>Deferred tax assets/(liabilities) arise from the following:</i>		
Property, plant and equipment	(118)	(741)
Intangible assets	(17)	19
Provisions	1,699	1,527
Allowance for credit losses from doubtful debts	6	8
Capitalised relocation expenses	2	2
Deferred tax asset recognised at 30 June	1,572	815

Movements in deferred tax

<i>in thousands of New Zealand dollars</i>	2020	2019
Balance at 1 July	815	239
Charged to income	659	605
Adjustments – prior year	98	(29)
	1,572	576
Total deferred tax asset at 30 June	1,572	815

The amount charged to income includes 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.

Annual leave owed has increased due to staff not taking annual leave during the early stages of the COVID-19 response.

<i>in thousands of New Zealand dollars</i>	Current		Non-current	
	2020	2019	2020	2019
Annual leave	3,227	2,620	606	710
Long service leave	301	432	594	815
Retirement leave	24	93	113	115
Total provision for employee entitlements	3,552	3,145	1,313	1,640

11. TRADE AND OTHER PAYABLES

<i>in thousands of New Zealand dollars</i>	2020	2019
Trade payables	3,172	4,066
Accrued expenses	5,253	4,112
Total trade and other payables	8,425	8,178

Trade and other payables are non-interest bearing and are normally settled before the 20th of the month following receipt of invoice.

As part of the response to COVID-19, payment times have been accelerated to assist our suppliers. 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>	2020	2019
Profit/(loss) after tax	431	455
Add/(less) items classified as investing activities:		
Net loss/(gain) on disposal of property, plant and equipment	(378)	(3)
Adjust non-cash items:		
Depreciation	4,848	4,852
Amortisation and impairment	384	657
(Decrease)/Increase in credit allowance for doubtful debts	-	(40)
Net unrealised exchange gain	-	(1)
Increase/(decrease) in provision for income tax	(70)	579
Increase in deferred tax asset	(757)	(576)
Decrease in non-current provisions	(327)	(68)
	4,078	5,403
Add/(less) movements in working capital items:		
Increase in accounts receivable and prepayments	(1,704)	(504)
Decrease in payables, current provisions and revenue in advance	3,442	(2,720)
Change in receivables and payables relating to investing activities	664	(673)
(Increase)/decrease in work in progress	1,101	(1,430)
	3,503	(5,327)
Net cash flows from operating activities	7,634	528

13. RELATED PARTY TRANSACTIONS

The Crown is the ultimate shareholder of the Parent. No other 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>	2020	2019
Key Management personnel compensation comprised:		
Directors' fees	171	195
Salaries and short-term benefits of the Chief Executive and Executive Leadership Team	2,176	1,939
	2,347	2,134

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 Institute during the reporting period, in all circumstances on commercial terms.

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	
		2020	2019	2020	2019
GNS Science International Limited	Revenue	124	122	Payable by GNSI	-
Damwatch Projects Limited	Purchases	124	122	Receivable by GNSI	53

The amounts owed between the parties are unsecured and have been settled in cash. 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 \$5,870 (2019: \$8,620).

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 are 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, unless the derivative is designated effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedging relationship.

The effective portion of changes in the fair value of cash flow hedges is recognised in other comprehensive income and accumulated in a cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised immediately in the Statement of Comprehensive Income.

At balance date the Group had no forward exchange contracts in place (2019: \$nil).

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

	Liabilities		Assets	
	2020	2019	2020	2019
<i>in thousands of New Zealand dollars</i>				
Australian Dollar	(23)	(57)	424	215
Canadian Dollar	(1)	-	-	1
Euro	(139)	(70)	86	122
Pounds Sterling	-	-	-	1
Hong Kong Dollar	-	-	-	6
Indonesian Rupiah	-	(3)	-	-
Japanese Yen	-	-	-	-
Norwegian Krone	-	(84)	-	-
US Dollar	(34)	(128)	267	572
	(197)	(342)	777	917

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 \$11,073,000 held at 30 June 2020 ranged between of 2.75% and 3.30% (2019: 3.25% and 3.45%).

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 2020, 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 \$56,000 (2019: decrease \$27,000). A 5% weakening of the New Zealand Dollar would have decreased reported profit before tax by \$59,000 (2019: increase \$30,000).

If interest rates had been 50 basis points higher/lower and all other variables were held constant, reported profit before tax for the year would increase/decrease by \$40,000 (2019: \$18,000).

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 Balance Sheet.

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>	2020	2019
Within one year	73	163
Between one and five years	-	92
Over five years	-	-
Total non-cancellable operating lease commitments	73	255

Capital commitments

<i>in thousands of New Zealand dollars</i>	2020	2019
Contracted and on order	856	907
Authorised but not yet contracted	725	2,115
Total capital commitments	1,581	3,022

16. CONTINGENT LIABILITIES

The Group has no contingent liabilities (2019: \$nil).

17. EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date (2019: none).

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 NZ IFRS 16 *Leases*.

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, impairment of assets and liabilities and employee benefits. Judgement has been applied in determining not to value heritage assets for financial reporting purposes.

New standards and interpretations

The Group has reviewed its lease commitments in light of NZ IFRS 16 *Leases* (effective for periods beginning on or after 1 January 2019) 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.

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

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 apply at the time of signing these Financial Statements are causing ongoing disruption to businesses and economic activity.

Upon reviewing the current situation, with 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.

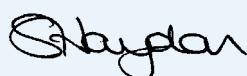
In the opinion of the Board, the annual financial statements and statement of performance for the financial year fairly reflect the financial position and operations of GNS Science.

For and on behalf of the Board:



Dr Nicola Crauford
Chair

28 August 2020



Sarah Haydon
Deputy Chair

28 August 2020

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 2020

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 balance sheet as at 30 June 2020, 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 2020; 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 28 August 2020. 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.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in note 18 to the financial statements.

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 the budget approved by the Board.

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

Margaret Low, GNS Science

Inside front
cover



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OTHER LOCATIONS

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1930, Dunedin 9054, New Zealand
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General Manager,
Stakeholder Relations

Peter Benfell
General Manager,
Science

Andrew Simpson
General Manager,
Business Services

Rose Macfarlane
General Manager,
People and Culture

Tania Gerrard
Principal Māori
Relations Advisor

OUR OFFICE LOCATIONS AND STAFFING

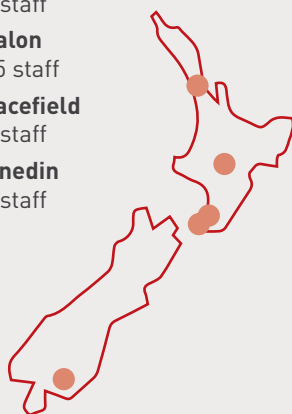
Auckland
7 staff

Wairakei
60 staff

Avalon
325 staff

Gracefield
50 staff

Dunedin
10 staff



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Silvio Bruinsma
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SOLICITORS

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WEBSITES

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

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