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scion
forests · products · innovation

Scion

Half Year Report
To 31 December 2012

Contents

Scion Half Year Report to 31 December 2012

1. Chairman's Report

Major developments during the first half of the 2012/13 financial year include progressing commercialisation of the TERAX^{TM} technology; working with the forest growing sector in establishing a research portfolio and levy; Woodscape analyses of technology options for wood processors, hosting the Science and User Advisory Panels to assess commercial forest growing research; holding the Annual General Meeting and opening the new Orman Wing; making input to a range of MBIE projects including the balance sheet review and, welcoming two new Directors to the Board.

The TERAX^{TM} waste minimisation technology will be commercialised in partnership with Rotorua District Council. This will be supported by a recently won $4.7 million Waste Minimisation Fund grant. This will provide capital for Rotorua District Council to build the first commercial scale demonstration plant and funding for Scion and Rotorua District Council to further develop the technology with respect to other municipal waste applications.

The Woodscape project, an adaptation from the Canadian forest industry, has progressed very well with a high level of interest shown by both industry and government stakeholders. Performance evaluations have been generated for 39 technologies and for five case study regions. The final Woodscape report will be presented to the NZ Wood Council (Woodco) on 19 February.

Scion performed well in the 2012 MBIE investment round (securing approximately $3.1 million more revenue than previous audit trail) and enjoyed success with four of its six proposals for SLMACC funding. Scion also secured three proposals in the Sustainable Farming Fund (SFF) Maori Agribusiness round, reflecting the effort put into building relationships with Maori with forestry interests over the past 12 months.

The Scion Strategic Advisory Science and User Panels met in late November to review the forest growing research programme (Intermediate Outcome 1 in Scion's Statement of Corporate Intent). The Panel reports identified areas where Scion can strengthen its position as a research provider, including with respect to tree germplasm and the supply chain area.

Other significant science highlights during the six months to 31 December include:

- Commissioning the design of a pilot plant for commercial scale-up of Scion's proprietary dewatered wood technology.
- The launch of a new fire weather monitoring system with NIWA.
- Successful field demonstration of new steep land harvesting technologies.
- Pilot plant installation and production of biofoam fish boxes with the Biopolymer Network.
- Demonstration in field containment that GM herbicide resistant trees work.
- Completion of prototype product development projects for a wide range of companies interested in wood fibre plastics and composites, bioadhesives and bioenergy.

2. Non–financial Performance Indicators

2.1 Total dollar value of revenue (in cash) and dollar value subcontracted out to other organisations from CRI, non CRI Government, TEO, firms, overseas and other per annum over three years.

	2009 Actual $000's	2010 Actual $000's	2011 Actual $000's	2012 Actual $000's	2013 Forecast $000's
Revenue					
Core Funding	0	0	0	17,733	17,733
MBIE contestable	21,604	21,441	21,457	3,119	5,274
Third party MBIE [1]	7,935	9,592	9,214	8,531	9,546
Royal Society	21	23	23	21	21
Other Government	2,813	3,426	3,608	4,523	4,112
MBIE –Consortia	1,398	1,019	782	758	874
Other CRI's [2]	375	434	356	416	274
TEO's [2]	249	321	403	358	380
Other [3]	9,286	6,951	7,210	8,333	8,891
Total Revenue	43,680	43,208	43,054	43,792	47,105
Of which Co-funding [4]		2,815	2,945	5,255	5,465

[1] Third Party MBIE revenue includes all third party MBIE revenue including that from other CRI's and TEO's.
[2] Revenue from other CRI's and TEO's (Tertiary Education Organisations) includes all revenue from these institutions except third party MBIE revenue (refer 1 above).
[3] Other – All other sources of commercial revenue
[4] Co-funding is defined as a financial investment into a science and innovation programme made by an independent third party (not Vote RS & T) and which, if not present, would materially impact on the programme's ability to achieve its outcome.

	2009 Actual [5] $000's	2010 Actual $000's	2011 Actual $000's	2012 Actual $000's	2013 Forecast $000's
Expenditure					
CRI's [6]	N/A	1,495	1,654	1,401	1,711
TEO	N/A	744	785	715	1,137
Other	N/A	42,232	38,797	40,059	42,871
Total Expenditure	N/A	44,471	41,237	42,175	45,719

[5] Data can be provided from systems not currently in use if required.
[6] Includes third party MBIE subcontracts (out) from Scion.

2.2 Number and percentage of joint scientific peer-reviewed publications and IP outputs with other NZ or international research institutions

1 July to 31 December 2012	No.	%
In collaboration with other NZ Institutes	9	16
In collaboration with international institutes	14	26
Scion alone	21	38
Both NZ and international institutes	11	20
Total	55	100

2.3 Number and percentage of IP outputs with other NZ or international research institutions. These are formal internal IP disclosures registered on the Scion Inventions Register

1 July to 31 December 2012	No.	%
Scion alone	15	63
Scion in collaboration	9	37
Total	24	100

2.4 Total number and percentage of licensing deals of CRI-derived IP with NZ and international partners

1 July to 31 December 2012	No.	%
Scion alone	266	92
Scion with NZ partners	18	6
Scion with international partners	5	2
Total	289	100

2.5 Percentage change in the number of requests & enquiries for publicly available collections (Herbarium and Library)

The Herbarium

For the six months ended 31 December 2012 the Herbarium answered 312 requests for information including plant identifications, botanical information and herbarium data. Its website received 999 page views, there were 79 visitors to the Herbarium and 193 new specimens were added to the collection. This represents a 54% reduction in activity on the six months to 31 December 2011, mainly due to a drop in page views (2011 - 2,827).

The New Zealand Forestry Library

For the six months ended 31 December 2012 Scion's Knowledge Centre, which incorporates the New Zealand Forestry Library, received a total of 5,717 requests for information from its Library collections consisting of books, journals, Scion publications, archival science records and images. We received 345 visitors to the library and sold 117 publications (hard and electronic copies over this period. This represents a 30% reduction in activity on the six months to 31 December 2011, mainly due to a drop in visitor numbers (2011 – 849).

3. Impact of Scion's Science

Science & Innovation Area	Key Achievement	Sector and Industry Impact
Risk and Biosecurity	In March Scion's diagnostic lab identified a new to New Zealand insect that has the potential to be a significant pest of eucalypts. The insect is the bronze bug, *Thaumastocoris peregrines,* a native of Australia. Since then, Scion has been assisting with practical research responses. We have reviewed biological control options and stem injection as a method of reducing populations on specimen urban trees. The National Forestry Herbarium has supported MPI by identifying Eucalyptus species suspected of being attacked by the bug.	MPI is now confident of the known host range of the bug in New Zealand. As a result of Scion's work, both they and the sector now have more response options available to them including with respect to biological and stem injection operational control.

Science & Innovation Area	Key Achievement	Sector and Industry Impact
Forest Environment & Economics (Transferring forest growing knowledge to industry	Between June and December 2012, Scion in conjunction with Future Forests Research, (an entity through which most of New Zealand's commercial forest growers manage and invest in research), held a series of workshops, field days and practical exercises to enable the industry to take up research outcomes.	Technology transfer is a critical part of the science and innovation activity. Attended by more than 80 participants, these workshops were a hands-on active engagement with the key people inside the forest growing companies. They provided practical examples of activities that will help the industry realise its main goal of achieving greater return per ha of planted forest through increased productivity (more biomass per ha) and better wood quality (growing wood aligned to market needs). The feedback has been overwhelmingly positive. Aaron Gunn from Blakely Pacific said "*the recent silvicultural workshop in Christchurch was fantastic and we need more events like this*."
Manufacturing and Bioproducts (Wood Treatment Standards)	Scion has been active in developing revised standards for wood treatment to enable industry to use more benign wood preservatives and facilitate further export of wood products. Scion's core funding has enabled us to sustain critical competency in wood treatment and wood durability.	Wood treatment to enable radiata pine to be used in high hazard impact situations such as exterior cladding, or foundation piles is critical in sustaining the New Zealand wood processing industry's viability. Getting this wrong can affect much of New Zealand's billion dollar building systems infrastructure, as in the weathertightness scandal. As the chemical industry is constantly seeking to develop new treatment systems to reduce impact on people and reduce emissions of chemicals it is essential there is a robust system to facilitate the entrance of new treatment systems to the market. The process to approve new systems is very rigorous and is overseen by a committee of technical experts and affected parties. A Scion expert in wood performance is on this committee. Following a detailed review of submissions a public consultation process, new benign treatment systems have now been approved. These include a de-aromatised solvent to enable cleaner solvent options and more flexibility for wood treatment. The systems will also enable New Zealand to export treated radiata pine to the European and American markets where regulations previously prohibited many of New Zealand treated wood products.

Tony Nowell
Chair

Warren Parker
Chief Executive Officer

4. Financial Statements for New Zealand Forest Research Institute Limited trading as Scion

for the six months ending 31 December 2012

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	GROUP			PARENT		
		31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Revenue	2 (a)	**19,778**	19,675	44,059	**19,769**	19,649	44,017
Other income/(Expenditure)	2 (b)	**0**	0	(175)	**0**	0	(175)
Expenditure	3 (a)	**(20,839)**	(19,712)	(41,734)	**(20,927)**	(19,841)	(41,996)
Finance costs	3 (b)	**(21)**	(2)	(7)	**(21)**	(2)	(7)
Share of profit of associates	14 (b)	**0**	0	21	**0**	10	10
Profit/(Loss) before tax		**(1,082)**	(39)	2,164	**(1,179)**	(184)	1,849
Tax (expense)/credit	9 (a)	**298**	7	(547)	**298**	7	(467)
Profit/(Loss) after tax attributable to the shareholders of the parent company		**(784)**	(32)	1,617	**(881)**	(177)	1,382
Other comprehensive income		**0**	0	0	**0**	0	0
Total comprehensive income for the period attributable to the shareholders of the parent company		**(784)**	(32)	1,617	**(881)**	(177)	1,382

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	Ordinary Shares 31 Dec 2012 $000	Asset Re-valuation Reserve 31 Dec 2012 $000	Retained Earnings 31 Dec 2012 $000	Total 31 Dec 2012 $000	Ordinary Shares 31 Dec 2011 $000	Asset Re-valuation Reserve 31 Dec 2011 $000	Retained Earnings 31 Dec 2011 $000	Total 31 Dec 2011 $000	Ordinary Shares 30 Jun 2012 $000	Asset Re-valuation Reserve 30 Jun 2012 $000	Retained Earnings 30 Jun 2012 $000	Total 30 Jun 2012 $000
GROUP													
Balance as at 1 July		**17,516**	**54**	**9,990**	**27,560**	**17,516**	**54**	**8,373**	**25,943**	**17,516**	**54**	**8,373**	**25,943**
Profit for the period		0	0	(784)	(784)	0	0	(32)	(32)	0	0	1,617	1,617
Other comprehensive income		0	0	0	0	0	0	0	0	0	0	0	0
Total Comprehensive Income		**0**	**0**	**(784)**	**(784)**	**0**	**0**	**(32)**	**(32)**	**0**	**0**	**1,617**	**1,617**
Transactions with owners in their capacity as owners:													
Shares issued		0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid		0	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December	**5**	**17,516**	**54**	**9,206**	**26,776**	**17,516**	**54**	**8,341**	**25,911**	**17,516**	**54**	**9,990**	**27,560**
PARENT													
Balance as at 1 July		**17,516**	**54**	**9,029**	**26,599**	**17,516**	**54**	**7,647**	**25,217**	**17,516**	**54**	**7,647**	**25,217**
Profit for the period		0	0	(881)	(881)	0	0	(177)	(177)	0	0	1,382	1,382
Other comprehensive income		0	0	0	0	0	0	0	0	0	0	0	0
Total Comprehensive Income		**0**	**0**	**(881)**	**(881)**	**0**	**0**	**(177)**	**(177)**	**0**	**0**	**1,382**	**1,382**
Transactions with owners in their capacity as owners:													
Shares issued		0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid		0	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December	**5**	**17,516**	**54**	**8,148**	**25,718**	**17,516**	**54**	**7,470**	**25,040**	**17,516**	**54**	**9,029**	**26,599**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 31 DECEMBER 2012

		GROUP			PARENT		
	Note	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Equity							
Share capital	5	**17,516**	17,516	17,516	**17,516**	17,516	17,516
Retained earnings	5	**9,206**	8,341	9,990	**8,148**	7,470	9,029
Revaluation reserve	5	**54**	54	54	**54**	54	54
		26,776	25,911	27,560	**25,718**	25,040	26,599
Non Current Liabilities							
Provisions	6	**547**	492	547	**547**	492	547
Defined benefit plan	7(a)	**1,302**	1,234	1,302	**1,302**	1,234	1,302
Deferred tax liability	9(c)	**1,914**	2,324	1,942	**1,894**	2,309	1,923
		3,763	4,050	3,791	**3,743**	4,035	3,772
Current Liabilities							
Bank overdraft	16	**881**	0	0	**881**	0	0
Trade and other payables	8	**7,679**	7,888	7,999	**7,670**	7,880	7,991
Derivative financial instruments		**0**	41	10	**0**	41	10
Provisions	6	**108**	144	230	**108**	144	230
Defined benefit plan	7(a)	**66**	46	207	**66**	46	207
Tax payable		**0**	0	216	**0**	0	188
		8,734	8,119	8,662	**8,725**	8,111	8,626
Total Equity and Liabilities		**39,273**	38,080	40,013	**38,186**	37,186	38,997
Non Current Assets							
Property, plant and equipment	10	**29,869**	23,947	29,167	**28,581**	22,639	27,868
Biological assets	11	**622**	797	622	**622**	797	622
Intangible assets	12	**591**	556	639	**587**	556	629
Investments in subsidiaries		**0**	0	0	**0**	0	0
Investments in associates	14	**208**	188	208	**15**	15	15
		31,290	25,488	30,636	**29,805**	24,007	29,134
Current Assets							
Cash and cash equivalents	15	**2,179**	7,390	2,810	**2,179**	7,378	2,810
Trade and other receivables	17	**5,133**	4,719	6,343	**5,532**	5,312	6,829
Tax receivable		**496**	340	0	**495**	346	0
Inventories	18	**175**	143	224	**175**	143	224
		7,983	12,592	9,377	**8,381**	13,179	9,863
Total Assets		**39,273**	38,080	40,013	**38,186**	37,186	38,997

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
Cash Flows from Operating Activities							
Cash was provided from:							
Receipts from customers		**22,167**	22,312	43,439	**22,161**	22,305	43,460
Interest received		**50**	147	318	**50**	147	318
		22,217	22,459	43,757	**22,211**	22,452	43,778
Cash was applied to:							
Payments to employees		**13,231**	13,118	24,468	**13,231**	13,118	24,468
Payments to suppliers		**7,155**	6,439	14,476	**7,264**	6,538	14,759
Interest paid		**21**	2	7	**21**	2	7
Income tax paid		**443**	208	555	**413**	185	512
		20,850	19,767	39,506	**20,929**	19,843	39,746
Net cash flows from operating activities	20	**1,367**	2,692	4,251	**1,282**	2,609	4,032
Cash was provided from:							
Proceeds from sale of fixed assets		**1**	0	8	**1**	0	8
Proceeds from sale of investments		**0**	14	14	**0**	14	14
		1	14	22	**1**	14	22
Cash was applied to:							
Purchase of property, plant and equipment		**2,768**	2,045	7,979	**2,768**	2,016	7,951
Purchase of intangibles		**112**	34	247	**112**	34	247
		2,880	2,079	8,226	**2,880**	2,050	8,198
Net cash flows used in investing activities		**(2,879)**	(2,065)	(8,204)	**(2,879)**	(2,036)	(8,176)
Cash Flows from Financing Activities							
Cash was provided from:							
Net advances from subsidiaries		**0**	0	0	**85**	55	204
		0	0	0	**85**	55	204
Net cash flows from financing activities		**0**	0	0	**85**	55	204
Net Increase (Decrease) in Cash Held		**(1,512)**	627	(3,953)	**(1,512)**	628	(3,940)
Add opening cash brought forward		**2,810**	6,763	6,763	**2,810**	6,750	6,750
Ending Cash Carried Forward	15 & 16	**1,298**	7,390	2,810	**1,298**	7,378	2,810

The accompanying notes form part of these financial statements.

1. Statement of Accounting Policies

REPORTING ENTITY

New Zealand Forest Research Institute Limited is a Crown Research Institute registered under the Companies Act 1993. The registered office is Te Papa Tipu Innovation Park, 49 Sala Street, Rotorua. The group consists of New Zealand Forest Research Institute Limited and its subsidiaries.

New Zealand Forest Research Institute Limited (the Company) is a reporting entity for the purposes of the Financial Reporting Act 1993. It is domiciled and incorporated in New Zealand and is wholly owned by the Crown.

The Financial Statements of New Zealand Forest Research Institute Limited for the period were authorised for issue in accordance with a resolution of the directors on the date as set out on the Statement of Financial Position.

The activities of New Zealand Forest Research Institute Limited include a range of research and development programmes aimed at using plant-based renewable resources and waste streams to create new materials, energy sources and environmentally sustainable products and processes.

New Zealand Forest Research Institute Limited trades as Scion and these names have identical meaning in this report.

1.1 Summary of Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for forestry assets, carbon credits and certain heritage assets that have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

b) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. This includes the New Zealand equivalent to International Financial Reporting Standard 34 – Interim Financial Reporting. The financial statements comply with International Financial Reporting Standards (IFRS).

c) Basis of Consolidation

The consolidated financial statements include the parent company and its subsidiaries. All intercompany transactions and unrealised profits and losses between the group of companies are eliminated from the financial statements on consolidation. In the parent company financial statements, investments in subsidiaries are stated at cost less any impairment charges.

d) Associate Companies

These are companies in which the group holds substantial shareholdings but does not have control and in whose commercial and financial policy decisions it participates.

Associate companies have been reflected in the consolidated financial statements on an equity accounting basis which shows the group's share of surpluses in the Consolidated Statement of Comprehensive Income and its share of post acquisition increases or decreases in net assets, in the Consolidated Statement of Financial Position. In the parent company financial statements, investments in associate companies are stated at cost less any impairment charges.

e) Intangible Assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is recognised in profit and loss.

e) Intangible Assets (cont)

Intangible assets created within the business are not capitalised and expenditure is charged to profit and loss in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policies applied to the group's capitalised intangible assets is as follows:

	Software
Useful lives	Finite
Method used	4 years – Straight line
Type	Acquired
Impairment test/Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss when derecognised.

Carbon Credits

New Zealand emission reduction units (NZU's) are recognised when the Group controls the units, provided that it is probable that economic benefits will flow to the Group and the fair value of the units can be measured reliably. Control of the NZU's arises when the Group is entitled to claim the NZU's from the government.

NZU's are initially measured at fair value at the discretion of the Board of Directors as an intangible asset unless the Board have determined they are held for sale, in which case they would be recorded at fair value as inventory.

Following initial recognition, the intangible asset is measured at fair value when the Board of Directors consider there is an active market for the sale of NZU's. NZU's determined as held for sale at recognition and recorded as inventory, are subsequently measured at the lower of cost (less amortisation and impairment, if any) and net realisable value.

The liability arising from the deforestation of eligible land is measured using the market value approach. A liability exists and is recognised on pre-1990 forests if the land use changes from forestry.

f) Biological Assets

Biological assets consist entirely of tree plantations which are measured at fair value less any point of sale costs. Gains and losses arising on initial recognition or change in fair value, less estimated point of sale costs, are included in profit and loss in the period in which they arise.

The fair value of tree plantations is determined by an independent valuer on an annual basis.

The valuation method for immature trees is the net present value of future net harvest revenue less estimated costs of owning, protecting, tending and managing trees. For mature trees fair value is deemed to be the net harvest revenue value.

g) Property, Plant and Equipment

All items of property, plant and equipment are valued at the cost of purchase from the Crown as at 1 July 1992 adjusted for subsequent additions at cost, disposals and depreciation. Plant and equipment are recorded at cost less accumulated depreciation. Land and capital work in progress are recorded at cost. Some library books have been identified as heritage assets and are recorded at fair value as determined by an independent valuer. Valuations are obtained every five years or more often where circumstances indicate that a significant change in fair value has occurred.

Expenditure incurred on property, plant and equipment is capitalised where such expenditure will increase or enhance the future benefits provided by the asset. Expenditure incurred to maintain future benefits is classified as repairs and maintenance.

When an item of property, plant and equipment is disposed of the difference between the net disposal proceeds and the carrying amount is recognised as a gain, or loss, in profit and loss.

g) Property, Plant and Equipment (cont)

Depreciation is provided for using the straight-line method to allocate the historical cost, less an estimated residual value, over the estimated useful life of the asset.

The useful lives of the major classes of assets have been calculated as follows:

Buildings and Land Improvements	40–60 years
Plant and Equipment	4–15 years
Furniture and Fittings	10 years
Motor Vehicles	3–7 years
Library Books	20 years

h) Recoverable amount of non-current assets

On an annual basis the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, however, if the asset's value in use cannot be estimated to be close to its fair value less costs to sell, and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, it is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

i) Trade Receivables

Trade receivables are initially recognised at fair value and subsequently valued at amortised cost less impairment allowance.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that it is probable the group will not be able to collect the debt. Financial difficulties and payment defaults without explanation are considered objective evidence of impairment.

j) Inventories

Consumable stores are valued at the lower of cost, on a weighted average price of stock on hand, and net realisable value.

Nursery stocks are valued at lower of cost or net realisable value. Changes in net realisable value are recognised in the profit and loss account in the period in which they occur.

k) Research Costs

Research costs are expensed in the period incurred.

l) Provisions and Employee Benefits

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date using a discounted cash flow methodology.

(i) Wages, Salaries and Annual Leave

The liability for wages, salaries and annual leave recognised in the Statement of Financial Position is the amount expected to be paid at balance date. Provision has been made for benefits accruing to employees for annual leave in accordance with the provisions of employment contracts in place at balance date.

l) Provisions and Employee Benefits (cont)

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined Benefit Plan

The defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the profit and loss in the period in which they arise.

The defined benefit liability recognised in the Statement of Financial Position represents the present value of the defined benefit obligations.

Long service leave and retirement leave provisions are based on annual actuarial valuations completed at financial year end.

m) Leases

Group as a Lessee

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits associated with ownership of the leased items, are included as an expense in the profit and loss in equal instalments over the lease term.

Group as a Lessor

Leases in which the group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are expensed as incurred.

n) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

o) Goods and Services Tax (GST)

The financial statements are prepared on a GST exclusive basis.

p) Foreign Currencies

Functional and presentation currency

Both the functional and presentation currency of New Zealand Forest Research Institute Limited and its subsidiaries is New Zealand dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

q) Revenue Recognition

Research Revenue

Research revenue from both Government and commercial sources is recorded when earned based on the percentage of work completed. Percentage of work completed is based on management judgement, after considering costs incurred and other contracted commitments. Work completed but not invoiced is recorded as accrued revenue while work invoiced but not completed is recorded as revenue in advance.

q) Revenue Recognition (cont)

Research Revenue (cont)

Government revenue includes revenue received from the Foundation for Research, Science and Technology and from the Ministry of Business, Innovation and Employment, Public Good Science and Technology investment, and Preseed Accelerator Fund programmes. Funding includes both devolved and milestone related programmes. Government revenue has only been recognised after all appropriate conditions have been met.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Risk and reward are considered passed to the buyer at the time of delivery.

Interest Revenue

Interest revenue is recognised when earned based on applicable interest rates applied to the group's cash deposit balances.

r) Taxation

The income tax expense charged to the profit and loss includes both the current period provision and the income tax effects of temporary differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all temporary differences. A debit balance in the deferred tax account, arising from temporary differences or income tax benefits from income tax losses, is only recognised if it is probable there will be taxable profits available in the future against which the deferred tax asset can be utilised.

Subsequent realisation of the tax benefit is subject to the requirements of income tax legislation being met.

s) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except for those borrowing costs determined as directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale).

t) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

For the purpose of valuing bank borrowings, the bank interest rate is taken as the discount rate. As such the bank borrowings are carried at the value of the debt with the bank.

u) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

v) Derivative Financial Instruments and Hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and liabilities held for the purpose of trading are classified as current in the statement of financial position. Derivative assets and liabilities are classed as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains and losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

1.2 Significant Accounting Judgements, Estimates and Assumptions

a) Revenue Recognition

Revenue is recognised based on the percentage of work completed on a project basis. Percentage of work completed is based on management judgement after considering such things as hours completed, costs incurred, milestones achieved and actual results to date.

b) Heritage Assets

The group holds several heritage assets which have significant value due to both being rare, and having importance to the nation. Where a heritage cost can be measured reliably they are revalued at least every five years and included as part of property, plant and equipment.

Due to the nature of some heritage assets, management does not believe they can be valued reliably. These assets have been identified as disclosed. Details of heritage assets can be found in note 10 and 21.

c) Biological Assets

The group's biological assets consist of tree plantations. These are valued at the net present value of future net harvest revenue less estimated costs of owning, protecting, tending and managing trees. The valuation process includes several judgements and estimations around discount rates, future costs, and future prices. Management used the experience of a registered forestry valuer to reduce the risk of misstatement resulting from these judgements and estimates.

A valuation is done on an annual basis at each financial year end.

d) Defined Benefit Scheme

The group operates an unfunded defined benefit plan. Significant assumptions used involving the plan include the discount rate and future salary increases as set out in the notes to the financial statements. Management used the experience of a registered actuary to reduce the risk of misstatement resulting from these judgements and estimates.

1.3 Accounting Standards Issued but not yet Effective

The following standards have had changes that have been issued but not yet made effective:

- NZ IAS 19 Employee Benefits — 1 January 2013
- NZ IAS 27 Consolidated and Separate Financial Statements — 1 January 2013
- NZ IAS 28 Investments in Associates — 1 January 2013
- NZ IFRS 9 Financial Instruments — 1 January 2015
- NZ IFRS 9 Financial Instruments (2010) — 1 January 2015
- NZ IFRS 10 Consolidated Financial Statements — 1 January 2013
- NZ IFRS 12 Disclosure of Interest in Other Entities — 1 January 2013
- NZ IFRS 13 Fair Value Measurement — 1 January 2013

The group has chosen not to apply the changes in the above standards prior to their effective date. While these standards are acceptable to the group they are not expected to have a material impact on our accounts.

1.4 Changes in Accounting Policies

The accounting policies are consistent with those of the previous financial year.

In addition under the Annual Improvements Project improvements to NZ IFRS have been made to the following standards that affect Scion but are not seen to have a material impact on the financial statements:

- NZ IAS 1 Presentation of Financial Statements
- NZ IAS 24 Related Party Disclosures
- NZ IFRS 7 Financial Instruments: Disclosures
- NZ IFRS 8 Operating Segments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012 (continued)

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
2. Revenue and Other Income						
(a) Revenue						
Government research revenue	**9,911**	8,824	21,114	**9,911**	8,824	21,105
Commercial research revenue	**8,956**	9,940	21,016	**8,994**	9,965	21,081
Software product sales and maintenance	**434**	423	956	**434**	423	956
Commercial lease revenue	**317**	319	639	**270**	279	552
Gain/(loss) on disposal of investments	**0**	5	5	**0**	(6)	(6)
Royalty	**105**	12	62	**105**	12	62
Interest revenue	**55**	152	267	**55**	152	267
	19,778	19,675	44,059	**19,769**	19,649	44,017
(b) Other Income						
Change in fair value of plantation trees	**0**	0	(175)	**0**	0	(175)
	0	0	(175)	**0**	0	(175)
3. Expenditure and Finance Costs						
(a) Expenditure						
Personnel remuneration and expenses	**12,593**	12,190	24,275	**12,593**	12,190	24,275
Other personnel related costs	**219**	209	520	**219**	209	520
Contractors and subcontractors	**2,310**	2,052	4,860	**2,310**	2,048	4,855
Consumables	**500**	666	1,177	**500**	666	1,177
External services	**1,351**	1,470	3,637	**1,351**	1,468	3,635
Travel and accommodation	**678**	609	1,338	**678**	609	1,338
Lease and rental costs	**246**	271	625	**437**	463	1,007
Depreciation	**1,354**	1,042	2,202	**1,343**	1,031	2,181
Amortisation	**150**	124	268	**150**	124	268
Loss on disposal of fixed assets	**5**	0	78	**5**	0	78
Impairment of assets	**0**	0	160	**0**	0	160
Reversal of impairment	**0**	0	(7)	**0**	0	(7)
Loss on revaluation of assets	**9**	0	0	**3**	0	0
Premises	**979**	712	1,647	**900**	671	1,564
Director's fees	**98**	122	248	**93**	118	240
Restructuring costs	**53**	(6)	166	**53**	(6)	166
Bad debts written off	**0**	0	41	**0**	0	41
Doubtful debt provision	**3**	(9)	(51)	**3**	(9)	(51)
Fair value (gain)/loss on foreign exchange contracts	**0**	0	(30)	**0**	0	(30)
Unrealised exchange fluctuations	**(21)**	0	1	**(21)**	0	1
Other	**312**	260	579	**310**	259	578
	20,839	19,712	41,734	**20,927**	19,841	41,996
(b) Finance Costs						
Bank loans and overdraft	**4**	2	7	**4**	2	7
Inland Revenue use of money interest	**17**	0	0	**17**	0	0
	21	2	7	**21**	2	7

	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
4. Auditor's Remuneration						
Amounts paid or due and payable to the auditors for:						
Auditing financial statements						
Parent entity auditor	**77**	75	150	**77**	75	150
	77	75	150	**77**	75	150

Audit fees costs are included in contractors and sub-contractors expenses in Note 3 (a) Expenditure.

5. Equity

New Zealand Forest Research Institute Limited has authorised, issued and paid up capital of 17,516,000 ordinary shares at 31 December 2012 (2011: 17,516,000). Shares do not have a par value.

All shares have equal rights with respect to voting, dividends and distribution on winding up. There are no restrictions on the distribution of dividends or repayment of capital.

During the period dividends recognised as distributions to shareholders totalled $nil (2011: Nil).

The asset revaluation reserve is used to record increments and decrements in the fair value of heritage book assets.

Capital Management

Scion is 100% Crown owned. Scion completes a five year plan on an annual basis and as part of that five year plan, capital requirements for the future. When managing capital, management's objective is to ensure the entity continues as a going concern while balancing its financial goals of delivering returns in line with market cost of capital, with its public good goals of reinvesting in science that will benefit New Zealand. Management uses total equity as capital. The group has no externally imposed capital requirements.

6. Provisions

The group has provisions for long service leave. The long service leave provision totals $655k in December 2012 (2011: $613k). The provision was valued by an actuary as at 30 June 2012.

The group has no restructuring provision as at 31 December 2012 (2011: $23k).

The provisions are made up as follows:

	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Current Provision	**108**	144	230
Non Current Provision	**547**	492	547
	655	636	777

6. Provisions (cont)

Movement in each class of provision during the period is as follows:

	31 December 2012			31 December 2011			30 June 2012		
	Long Service Leave $000	Restructuring $000	Total $000	Long Service Leave $000	Restructuring $000	Total $000	Long Service Leave $000	Restructuring $000	Total $000
Balance 1 July	**655**	**122**	**777**	613	377	990	613	377	990
Provision reversed during the period	**0**	**(17)**	**(17)**	0	0	0	0	0	0
Amounts used during the period	**0**	**(105)**	**(105)**	0	(354)	(354)	(77)	(377)	(454)
Provisions made during the period	**0**	**0**	**0**	0	0	0	73	122	195
Discount rate adjustment	**0**	**0**	**0**	0	0	0	46	0	46
Balance 31 December	**655**	**0**	**655**	613	23	636	655	122	777

7. Pension Plans

(a) Defined Benefit Plan

Scion operates an unfunded defined benefit plan. The plan is closed to new members and will cease when all current members have either retired or left the group. There are no assets backing the unfunded liability.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the profit and loss account. Past service cost is recognised immediately.

The defined benefit liability recognised in the Statement of Financial Position as at 31 December represents the present value of the defined benefit obligation as actuarially determined at 30 June 2012 adjusted for payments during the current period and a provision for actuarial movement.

	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Net plan expense			
Current service cost	**0**	30	50
Interest cost on benefit obligation	**0**	0	79
Net actuarial (gains)/losses recognised in the year	**0**	0	156
Net plan expense	**0**	30	285

The net plan expense is included in the personnel remuneration and expenses line in Note 3(a) Expenditure.

	Defined Benefit Plan				
	2012 $000	2011 $000	2010 $000	2009 $000	2008 $000
Benefit liability included in the Statement of Financial Position					
Present value of defined benefit obligation as at 30 June for the last five years	**1,509**	1,250	1,314	1,278	1,099

The defined benefit plan liability is actuarially valued on an annual basis at financial year end. No present value numbers or experience amount is available as at 31 December 2012. Current service cost for the period is an estimate.

7. Pension Plans (cont)

(a) Defined Benefit Plan (cont)

	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Changes in the present value of the defined benefit obligation are as follows:			
Opening balance	**1,509**	1,250	1,250
Current service cost	**0**	30	50
Interest cost	**0**	0	79
Actuarial (gains)/losses recognised in the period	**0**	0	156
Benefits paid	**(141)**	0	(26)
Closing balance	**1,368**	1,280	1,509

The history of experience adjustments is as follows:

	2012 $000	2011 $000	2010 $000	2009 $000	2008 $000
Experience adjustments on plan liabilities as at 30 June for last five years	**(39)**	(9)	(41)	(38)	(126)

The principal actuarial assumptions used in determining the defined benefit plan obligations as at 30 June are shown below:

	2012 $000	2011 $000
Discount rate	**4.33%**	6.19%
Future salary increases	**4.50%**	4.50%

(b) Defined Contribution Plan

During the period defined contributions totalling $138k (2011: $130k) were made to the Government Superannuation Fund and $202,395 (2011: $nil) to a KiwiSaver fund.

8. Trade and Other Payables

	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
Trade payables	**2,143**	2,397	3,529	**2,141**	2,396	3,529
Employee payables and accruals	**2,393**	2,178	2,715	**2,393**	2,178	2,715
Payable to associates	**0**	0	0	**0**	0	0
Payable to directors	**0**	0	0	**0**	0	0
Revenue in advance	**3,143**	3,313	1,755	**3,136**	3,306	1,747
	7,679	7,888	7,999	**7,670**	7,880	7,991

The carrying amount disclosed above is a reasonable approximation of fair value. Trade creditors are non-interest bearing and are normally settled within 60 days.

	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
9. Income Tax						
(a) Income Tax Expense						
The major components of income tax expense in the Statement of Comprehensive Income are:						
Current income tax						
Current income tax charge	**(269)**	45	865	**(269)**	45	790
Adjustments to prior year current income tax charge	**0**	0	116	**0**	0	116
	(269)	45	981	**(269)**	45	906
Deferred income tax						
Deferred tax expenses/(income) related to prior year	**0**	0	(106)	**0**	0	(106)
Relating to origination and reversal of temporary differences	**(29)**	(52)	(259)	**(29)**	(52)	(264)
Amount of deferred tax expense/ (income) related to change in building depreciation rates	**0**	0	(69)	**0**	0	(69)
	(29)	(52)	(434)	**(29)**	(52)	(439)
Income tax expense/(income) reports in the Statement of Comprehensive Income	**(298)**	(7)	547	**(298)**	(7)	467
(b) Reconciliation between the aggregate tax expense/(income) recognised in the Statement of Comprehensive Income to tax expense/(income) calculated at the statutory income tax rate						
Accounting profit/(loss) before income tax	**(1,082)**	(39)	2,164	**(1,179)**	(184)	1,849
Tax at the statutory income tax rate of 28% (2011: 28%)	**(303)**	(11)	606	**(330)**	(52)	518
Adjusted by:						
Prior year income tax	**0**	0	10	**0**	0	10
Deferred tax adjustment for change in building depreciation rates	**0**	0	(69)	**0**	0	(69)
Entertainment	**2**	4	5	**2**	4	5
Non-deductible legal fees	**1**	1	0	**1**	1	0
Tax exempt income	**0**	0	(1)	**0**	0	2
Intercompany receivable	**0**	0	(6)	**0**	0	0
Other	**2**	(1)	2	**2**	(1)	1
Tax effect at loss offset	**0**	0	0	**27**	41	0
Income tax expense/(credit)	**(298)**	(7)	547	**(298)**	(7)	467

Tax losses of loss making entities within the group are fully offset against taxable profits of profit making entities.

9. Income Tax (cont)

(c) Deferred income tax relates to the following:

	GROUP			PARENT		
	31 Dec 2012 $000	**31 Dec 2011 $000**	**30 Jun 2012 $000**	**31 Dec 2012 $000**	**31 Dec 2011 $000**	**30 Jun 2012 $000**
Deferred tax liabilities						
Property, plant and equipment	**(3,002)**	(3,230)	(3,053)	**(2,982)**	(3,215)	(3,034)
Nursery inventory	**(27)**	(20)	(47)	**(27)**	(20)	(47)
Standing timber	**(174)**	(223)	(174)	**(174)**	(223)	(174)
	(3,203)	(3,473)	(3,274)	**(3,183)**	(3,458)	(3,255)
Deferred tax assets						
Patents and trademarks	**148**	130	148	**148**	130	148
Payroll provisions	**929**	949	957	**929**	949	957
Provision for doubtful debts	**14**	25	14	**14**	25	14
Income in advance	**154**		154	**154**	0	154
Other	**44**	45	59	**44**	45	59
	1,289	1,149	1,332	**1,289**	1,149	1,332
Net Deferred Tax Asset per Statement of Financial Position	**(1,914)**	(2,324)	(1,942)	**(1,894)**	(2,309)	(1,923)

The group has no unused tax losses (2011: $0k).

(d) Imputation credits

Under section ME 1(2)g of the Income Tax Act 1994 New Zealand Forest Research Institute Limited is not required to maintain an imputation credit account due to it being a Crown Research Institute.

Te Papa Tipu Properties Limited a wholly owned subsidiary of New Zealand Forest Research Institute Limited has an imputation credit account with a balance of $256,939 at 31 December 2012 (2011: $149,675).

10. Property, Plant and Equipment

GROUP	Land & Improvements $000	Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Books & Periodicals $000	Capital Work in Progress $000	Total $000
At 1 July 2012								
Carrying amount net of accumulated depreciation and impairment at 1 July 2012	**1,645**	**13,904**	**6,410**	**174**	**322**	**244**	**6,468**	**29,167**
Additions	0	205	522	0	61	0	1,312	2,100
Transfers from CWIP	0	4,877	697	0	0	0	(5,574)	0
Transfers from CWIP to intangibles	0	0	0	0	0	0	(38)	(38)
Disposals	0	0	(6)	0	0	0	0	(6)
Depreciation expensed	(21)	(342)	(944)	(16)	(31)	0	0	(1,354)
Carrying amount net of accumulated depreciation and impairment at 31 December 2012	**1,624**	**18,644**	**6,679**	**158**	**352**	**244**	**2,168**	**29,869**
At 31 December 2012								
Cost or fair value	1,925	25,006	34,331	1,668	554	244	2,168	65,896
Accumulated depreciation and impairment	(301)	(6,362)	(27,652)	(1,510)	(202)	0	0	(36,027)
Net carrying amount	**1,624**	**18,644**	**6,679**	**158**	**352**	**244**	**2,168**	**29,869**

Books and periodicals include some library books classified as Heritage Assets. The group engaged Rowan Gibbs, an antiquarian bookseller of 37 years experience of Smith's Bookshop Limited to determine the fair value of the heritage library books as at 30 June 2008. Fair value is the amount for which the books could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date. Fair value is determined by reference to recent prices realised at national and international auctions and prices being asked for by specialist dealers for comparable items. Refer to note 21 regarding other heritage assets. The heritage asset library books have been valued at $75k.

10. Property, Plant and Equipment

GROUP	Land & Improvements $000	Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Books & Periodicals $000	Capital Work in Progress $000	Total $000
At 1 July 2011								
Carrying amount net of accumulated depreciation and impairment at 1 July 2011	**1,649**	**14,243**	**5,420**	**194**	**199**	**244**	**1,197**	**23,146**
Additions	36	184	680	4	45	0	921	1,870
Transfers from CWIP	0	34	546	0	0	0	(580)	0
Transfers to intangibles from CWIP	0	0	0	0	0	0	(19)	(19)
Disposals	0	0	0	0	0	0	(8)	(8)
Depreciation expensed	(20)	(213)	(777)	(16)	(16)	0	0	(1,042)
Carrying amount net of accumulated depreciation and impairment at 31 December 2011	**1,665**	**14,248**	**5,869**	**182**	**228**	**244**	**1,511**	**23,947**
At 30 June 2011								
Cost or fair value	1,889	20,068	30,843	1,655	340	244	1,197	56,236
Accumulated depreciation and impairment	(240)	(5,825)	(25,423)	(1,461)	(141)	0	0	(33,090)
Net carrying amount	**1,649**	**14,243**	**5,420**	**194**	**199**	**244**	**1,197**	**23,146**
At 31 December 2011								
Cost or fair value	1,925	20,285	32,069	1,660	385	244	1,511	58,079
Accumulated depreciation and impairment	(260)	(6,037)	(26,200)	(1,478)	(157)	0	0	(34,132)
Net carrying amount	**1,665**	**14,248**	**5,869**	**182**	**228**	**244**	**1,511**	**23,947**

10. Property, Plant and Equipment

GROUP	Land & Improvements $000	Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Books & Periodicals $000	Capital Work in Progress $000	Total $000
At 1 July 2011								
Carrying amount net of accumulated depreciation and impairment at 1 July 2011	**1,649**	**14,243**	**5,420**	**194**	**199**	**244**	**1,197**	**23,146**
Additions	37	239	1,752	7	162	0	6,281	8,478
Transfers from CWIP	0	68	917	6	0	0	(991)	0
Transfers to intangibles from CWIP	0	0	0	0	0	0	(19)	(19)
Reclassifications	0	5	(5)	0	0	0	0	0
Disposals	0	(78)	(5)	0	0	0	0	(83)
Reversal of impairment provision	0	8	0	0	0	0	0	8
Provisions for impairment	0	(141)	(20)	0	0	0	0	(161)
Depreciation expensed	(41)	(440)	(1,649)	(33)	(39)	0	0	(2,202)
Carrying amount net of accumulated depreciation and impairment at 30 June 2012	**1,645**	**13,904**	**6,410**	**174**	**322**	**244**	**6,468**	**29,167**
At 30 June 2012								
Cost or fair value	1,925	19,924	33,284	1,668	493	244	6,468	64,006
Accumulated depreciation and impairment	(280)	(6,020)	(26,874)	(1,494)	(171)	0	0	(34,839)
Net carrying amount	**1,645**	**13,904**	**6,410**	**174**	**322**	**244**	**6,468**	**29,167**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012 (continued)

10. Property, Plant and Equipment

PARENT	Land & Improvements $000	Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Books & Periodicals $000	Capital Work in Progress $000	Total $000
At 1 July 2012								
Carrying amount net of accumulated depreciation and impairment at 1 July 2012	**346**	**13,904**	**6,410**	**174**	**322**	**244**	**6,468**	**27,868**
Additions	0	205	522	0	61	0	1,312	2,100
Transfers from CWIP	0	4,877	697	0	0	0	(5,574)	0
Transfers to intangibles from CWIP	0	0	0	0	0	0	(38)	(38)
Disposals	0	0	(6)	0	0	0	0	(6)
Depreciation expensed	(10)	(342)	(944)	(16)	(31)	0	0	(1,343)
Carrying amount net of accumulated depreciation and impairment at 31 December 2012	**336**	**18,644**	**6,679**	**158**	**352**	**244**	**2,168**	**28,581**
At 31 December 2012								
Cost or fair value	517	25,006	34,331	1,668	554	244	2,168	64,488
Accumulated depreciation and impairment	(181)	(6,362)	(27,652)	(1,510)	(202)	0	0	(35,907)
Net carrying amount	**336**	**18,644**	**6,679**	**158**	**352**	**244**	**2,168**	**28,581**

10. Property, Plant and Equipment

PARENT	Land & Improvements $000	Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Books & Periodicals $000	Capital Work in Progress $000	Total $000
At 1 July 2011								
Carrying amount net of accumulated depreciation and impairment at 1 July 2011	**358**	**14,243**	**5,420**	**194**	**199**	**244**	**1,197**	**21,855**
Additions	8	184	680	4	45	0	921	1,842
Transfers from CWIP	0	34	546	0	0	0	(580)	0
Transfers to intangibles from CWIP	0	0	0	0	0	0	(19)	(19)
Disposals	0	0	0	0	0	0	(8)	(8)
Depreciation expensed	(9)	(213)	(777)	(16)	(16)	0	0	(1,031)
Carrying amount net of accumulated depreciation and impairment at 31 December 2011	**357**	**14,248**	**5,869**	**182**	**228**	**244**	**1,511**	**22,639**
At 30 June 2011								
Cost or fair value	508	20,068	30,843	1,655	340	244	1,197	54,855
Accumulated depreciation and impairment	(150)	(5,825)	(25,423)	(1,461)	(141)	0	0	(33,000)
Net carrying amount	**358**	**14,243**	**5,420**	**194**	**199**	**244**	**1,197**	**21,855**
At 31 December 2011								
Cost or fair value	517	20,285	32,069	1,660	385	244	1,511	56,671
Accumulated depreciation and impairment	(160)	(6,037)	(26,200)	(1,478)	(157)	0	0	(34,032)
Net carrying amount	**357**	**14,248**	**5,869**	**182**	**228**	**244**	**1,511**	**22,639**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012 (continued)

10. Property, Plant and Equipment (cont)

PARENT	Land & Improvements $000	Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Books & Periodicals $000	Capital Work in Progress $000	Total $000
At 1 July 2011								
Carrying amount net of accumulated depreciation and impairment at 1 July 2011	**358**	**14,243**	**5,420**	**194**	**199**	**244**	**1,197**	**21,855**
Additions	8	239	1,752	7	162	0	6,281	8,449
Transfers from CWIP	0	68	917	6	0	0	(991)	0
Transfers to intangibles from CWIP	0	0	0	0	0	0	(19)	(19)
Reclassifications	0	5	(5)	0	0	0	0	0
Disposals	0	(78)	(5)	0	0	0	0	(83)
Reversal of impairment provision	0	8	0	0	0	0	0	8
Provisions for impairment	0	(141)	(20)	0	0	0	0	(161)
Depreciation expensed	(20)	(440)	(1,649)	(33)	(39)	0	0	(2,181)
Carrying amount net of accumulated depreciation and impairment at 30 June 2012	**346**	**13,904**	**6,410**	**174**	**322**	**244**	**6,468**	**27,868**
At 30 June 2012								
Cost or fair value	517	19,924	33,284	1,668	493	244	6,468	62,598
Accumulated depreciation and impairment	(171)	(6,020)	(26,874)	(1,494)	(171)	0	0	(34,730)
Net carrying amount	**346**	**13,904**	**6,410**	**174**	**322**	**244**	**6,468**	**27,868**

11. Biological Assets

Biological assets consist of tree plantations. The group has 98 hectares of trees planted for experimental purposes. Trees will be harvested for sale when experimental work is completed and they have reached maturity.

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Carrying amount 1 July	**622**	797	797	**622**	797	797
Gain/(loss) from changes in fair value less estimated point-of-sale costs	**0**	0	(175)	**0**	0	(175)
Carrying amount 31 December	**622**	797	622	**622**	797	622

The group has tree plantations at three locations:

(a) 31 hectares of immature Radiata Pine is located at Puruki. The trees were planted for experimental purposes. The group has a forestry right which expires in 2067.

(b) 20.8 hectares of immature Radiata Pine and 5.5 hectares of Mexican Cypress are located at Tikokino. The trees were planted for experimental purposes. The Mexican Cypress had zero value at 30 June 2012.

(c) 34.5 hectares of immature Radiata Pine is located at Mamaku plus 2.2 hectares of mature Sitka Spruce. The trees were planted for experimental purposes. The group has a forestry right which terminates when the trees are harvested or in 2024, whichever is the earlier.

No agricultural assets have been harvested during the six months to 31 December 2012.

The tree plantations were last valued as at 30 June 2012 by PF Olsen Limited, an independent forestry management and consultancy company.

The valuation method for immature trees is the net present value of future net harvest revenue less estimated costs of owning, protecting, tending and managing trees. For mature trees fair value is deemed to be the net harvest revenue value.

12. Intangible Assets

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Software						
Opening balance 1 July						
At cost	**3,336**	3,089	3,089	**3,336**	3,089	3,089
Less accumulated amortisation	**(2,711)**	(2,443)	(2,443)	**(2,711)**	(2,443)	(2,443)
Opening net carrying amount 1 July	**625**	646	646	**625**	646	646
Opening net carrying amount 1 July	**625**	646	646	**625**	646	646
External additions	**111**	34	247	**111**	34	247
Current year amortisation	**(150)**	(124)	(268)	**(150)**	(124)	(268)
Closing carrying amount 31 December	**586**	556	625	**586**	556	625
Closing balance 31 December						
At cost	**3,447**	3,123	3,336	**3,447**	3,123	3,336
Less accumulated amortisation	**(2,861)**	(2,567)	(2,711)	**(2,861)**	(2,567)	(2,711)
Closing net carrying amount 31 December	**586**	556	625	**586**	556	625

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
12. Intangible Assets (cont)						
Carbon Credits						
Carrying amount 1 July	**14**	0	**0**	**4**	0	0
Acquisition at fair value	**0**	0	**14**	**0**	0	4
Fair value adjustment	**(9)**	0	**0**	**(3)**	0	0
Carrying amount 30 June	**5**	0	**14**	**1**	0	4
Total intangible assets 30 June	**591**	556	**639**	**587**	556	629

	PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
13. Investments in Subsidiaries			
Opening shares in subsidiaries	**0**	0	0
Acquired in current year	**0**	0	0
Closed in current year	**0**	0	0
Closing shares in subsidiaries	**0**	0	0

	Shares	Percentage Held	Balance Date
Subsidiaries			
Atlas Technology Limited	100	100%	30 June
Te Papa Tipu Properties Limited	100	100%	30 June

Atlas Technology Limited does not trade.

Te Papa Tipu Properties Limited was incorporated on 25 March 2004. The company owns the Group's land assets.

New Zealand Forest Research Institute Limited is the registered holder of 100% of the shares of Future Forests Research Limited however these shares are held in trust for the members and therefore it has not been treated as a subsidiary for consolidation purposes.

All subsidiaries are incorporated in New Zealand.

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
14. Investments in Associates						
(a) Investment Details						
Frontline Biosecurity Limited	**0**	0	0	**0**	0	0
Biopolymer Network Limited	**208**	188	208	**15**	15	15
	208	188	208	**15**	15	15

New Zealand Forest Research Institute Limited has a 33.33% (2011: 33.33%) shareholding in Biopolymer Network Limited, a company carrying on research, development and commercialisation of biopolymers.

New Zealand Forest Research Institute Limited has a 25% (2011: 25%) shareholding in Frontline Biosecurity Limited. The company previously carried out research, development and commercialisation of biosecurity processes but has now stopped trading. The company has a balance date of 31 March.

The Group's proportion of voting power held in each associate is the same as its ownership interest.

Both companies are incorporated in New Zealand.

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
(b) Movements in the carrying amount of the Group's investments in Associates						
Opening share of increase/(decrease) in net assets	**208**	197	197	**15**	35	35
Gain/(Loss) from disposal of share in associates	**0**	0	0	**0**	(10)	(10)
Current year share of profits	**0**	0	21	**0**	0	0
Capital repayment	**0**	(9)	(10)	**0**	(10)	(10)
Closing share of increase/(decrease) in net assets	**208**	188	208	**15**	15	15
15. Cash and Cash Equivalents						
Cash on hand	**3**	5	5	**3**	5	5
Bank	**0**	79	444	**0**	67	444
Call deposits	**0**	1,130	185	**0**	1,130	185
Short term deposits	**2,176**	6,176	2,176	**2,176**	6,176	2,176
	2,179	7,390	2,810	**2,179**	7,378	2,810

Bank earns interest at 0.17% on balances over $250,000 (2011: 0.18%). Call deposits earn interest at the rate applicable on the day. For the purposes of the Statement of Cash Flows, Cash and Cash equivalents are equivalent to cash and cash equivalents presented in the Statement of Financial Position less any bank overdraft (see note 16).

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
16. Bank Overdraft						
Bank overdraft	**881**	0	0	**881**	0	0
	881	0	0	**881**	0	0

	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
17. Trade and Other Receivables						
Trade receivables	**1,571**	1,479	3,898	**1,564**	1,473	3,893
Allowance for impairment loss	**(52)**	(91)	(49)	**(52)**	(91)	(49)
Other debtors	**25**	64	8	**25**	63	8
Prepayments	**900**	902	735	**900**	861	735
Accrued revenue	**1,857**	1,622	764	**1,857**	1,622	764
Related party receivables:						
Associates	**117**	242	271	**117**	242	271
Other related parties	**715**	501	716	**715**	501	716
Subsidiaries	**0**	0	0	**406**	641	491
	5,133	4,719	6,343	**5,532**	5,312	6,829

(a) The carrying amount disclosed above is a reasonable approximation of fair value due to the short term nature of the receivables.

(b) Allowance for Impairment Loss

Trade receivables are non-interest bearing and are generally on 30–60 day terms. A provision for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. An increase in the allowance for impairment loss of $3k (2011: decrease of $9k) has been recognised for the Group and an increase of $3k (2011: decrease of $9k) has been recognised for the Parent for specific debtors. The allowance is included in a separate line item in Note 3 (a) Expenditure.

Movements in the allowance for impairment loss were as follows:

	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
Opening balance 1 July	**49**	100	100	**49**	100	100
Reversal of prior year provision	**0**	(9)	(51)	**0**	(9)	(51)
Charge for the year	**3**	0	0	**3**	0	0
Closing balance 31 December	**52**	91	49	**52**	91	49

At 31 December, the ageing analysis of trade receivables is as follows:

		Total $000s	0-30 Days CNI* $000s	0-30 Days CI* $000s	31-60 Days CNI* $000s	31-60 Days CI* $000s	61-90 Days PDNI* $000s	61-90 Days CI* $000s	+91 Days PDNI* $000s	+91 Days CI* $000s
31 Dec 2012	**Consolidated**	**1,571**	**1,251**	**0**	**179**	**0**	**45**	**0**	**44**	**52**
	Parent	**1,564**	**1,244**	**0**	**179**	**0**	**45**	**0**	**44**	**52**
31 Dec 2011	Consolidated	1,479	962	0	265	0	82	0	79	91
	Parent	1,473	956	0	265	0	82	0	79	91
30 Jun 2012	Consolidated	3,898	3,486	0	272	0	42	0	49	49
	Parent	3,893	3,481	0	272	0	42	0	49	49

* Current not impaired (CNI)
* Past due not impaired (PDNI)
* Considered impaired (CI)

(c) For related party terms and conditions refer to Note 24.

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
18. Inventories						
Consumable stores (at cost)	**76**	73	55	**76**	73	55
Nursery stock	**99**	70	169	**99**	70	169
Closing carrying amount	**175**	143	224	**175**	143	224

Consumable stores recognised as an expense for the six months ended 31 December 2012 are $3k (2011: $11k) for the Group and $3k (2011: $11k) for the parent company. There were no inventory write-downs in the period.

19. Financial Instruments

Financial Instruments include:

Loans and Receivables
Trade Debtors
Other Debtors
Intercompany Receivables

Other Financial Liabilities
Trade and Other Payables
Term Loan

All the above financial instruments are measured at amortised cost.

Liquidity Risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of a bank debt facility and a bank overdraft. Management monitor, on a monthly basis, our forecasted ability to make payments and the need for a debt facility.

The group's debt facility was with the National Bank of New Zealand until 31 October 2010 at which time it was not renewed.

Trade payables are non-interest bearing and are normally settled within 60 days. The company and group liabilities all have contractual maturities of less than 120 days.

Credit Risk

Financial instruments that potentially subject the group to credit risk consist of bank balances and accounts receivable. The group generally does not require any security.

Maximum exposures to credit risk as at balance date are:

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Current account	**0**	79	444	**0**	67	444
Call and short term deposits	**2,176**	7,306	2,361	**2,176**	7,306	2,361
Trade receivables	**1,519**	1,388	3,849	**1,512**	1,382	3,843
Other debtors	**0**	64	8	**0**	63	8
Related party receivables	**832**	743	987	**1,238**	1,384	1,478

19. Financial Instruments (cont)

The group is not exposed to any significant concentrations of credit risk.

The above maximum exposures are net of any provision for losses on these financial instruments.

Market Risk
Market risk on financial instruments comprise the following three types of risk:

Interest Rate Risk
The group's exposure to market interest rates relates primarily to the groups cash deposits. Cash and cash equivalents, which includes an overdraft of $881k, have decreased during the six months to 31 December 2012 to a group balance of $1,298k (2011: $7,390k).

	GROUP			PARENT		
	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000	31 Dec 2012 $000	31 Dec 2011 $000	30 Jun 2012 $000
Cash on hand	**3**	5	5	**3**	5	5
Bank	**(881)**	79	444	**(881)**	67	444
Call deposits	**0**	1,130	185	**0**	1,130	185
Short term deposits	**2,176**	6,176	2,176	**2,176**	6,176	2,176
	1,298	7,390	2,810	**1,298**	7,378	2,810

The current account is managed at low levels and interest returns on the current account are not material. Cash funds in excess of our current requirements are invested in short-term bank deposits to attract improved interest returns. At 31 December 2012 bank call deposits were earning interest at 3.75% (2011: between 3.75% and 4.25%).

At 31 December 2012, if interest rates moved as indicated in the table below, with all other variables being held constant, post tax profit and equity would have been affected as follows:

	Parent and Group					
	31 December 2012		31 December 2011		30 June 2012	
Judgement of reasonably possible movements in interest rates:	Change in Interest Rate	Effect on Post Tax Profit $000	Change in Interest Rate	Effect on Post Tax Profit $000	Change in Interest Rate	Effect on Post Tax Profit $000
	+1%	**16**	+1%	53	+1%	17
	-1%	**(16)**	-1%	(53)	-1%	(17)

Management has taken account of Reserve Bank of New Zealand indications of future interest rate movements in the OCR and various other market indicators and after considering these indicators, believe the interest rate changes are reasonable and possible.

Currency Risk
Only small balances are held in currencies other than New Zealand dollars, with these materially all in debtors. Collection on all these debtors is expected within 60 days resulting in minimal foreign exchange risk.

Other Price Risk
Other price risk primarily relates to the market price of financial instruments. As Scion does not trade in financial instruments there is no perceived risk in this category.

	GROUP 31 Dec 2012 $000	GROUP 31 Dec 2011 $000	GROUP 30 Jun 2012 $000	PARENT 31 Dec 2012 $000	PARENT 31 Dec 2011 $000	PARENT 30 Jun 2012 $000
20. Reconciliation of operating surplus after taxation with cash flows from operating activities						
Reported surplus after taxation	**(784)**	(32)	1,617	**(881)**	(177)	1,382
Add (less) non-cash items:						
Depreciation	**1,354**	1,042	2,202	**1,343**	1,031	2,181
Amortisation	**150**	124	268	**150**	124	268
Impairment provision	**0**	0	153	**0**	0	153
Doubtful debts	**3**	(10)	(10)	**3**	(10)	(10)
Movement in deferred tax benefit	**(29)**	(52)	(434)	**(29)**	(52)	(439)
Revaluation of biological assets	**0**	0	175	**0**	0	175
Fair value of carbon credits	**9**	0	(14)	**3**	0	(4)
	1,487	1,104	2,340	**1,470**	1,093	2,324
Add (less) items classified as investing activity:						
(Gain) loss on disposal of property, plant and equipment	**5**	0	78	**5**	0	78
(Gain) loss on disposal of investments	**0**	(5)	(5)	**0**	6	6
Share in associate company profit	**0**	0	(21)	**0**	0	0
Capital related items in creditors	**706**	201	(482)	**706**	201	(482)
	711	196	(430)	**711**	207	(398)
Movements in working capital items:						
(Increase)/Decrease in debtors and prepayments	**1,209**	963	(663)	**1,294**	1,057	(460)
(Increase)/Decrease in inventories	**49**	163	82	**49**	163	82
Increase/(Decrease) in creditors and accruals	**(593)**	461	913	**(593)**	461	912
Increase/(Decrease) in taxation payable	**(712)**	(163)	392	**(682)**	(140)	394
Increase/(Decrease) in intercompany debtors	**0**	0	0	**(86)**	(55)	(204)
(Increase)/Decrease in intercompany creditors	**0**	0	0	**0**	0	0
	(47)	1,424	724	**(18)**	1,486	724
Net cash flows from operating activities	**1,367**	2,692	4,251	**1,282**	2,609	4,032

21. Contingent Liabilities

Treaty of Waitangi Issues

Two verified land claims affecting the group currently exist:

(i) Ngati Whakaue – covering the whole Rotorua Campus

(ii) Ngati Wahiao – covering the southern end of the Rotorua Campus

No reliable estimates can be made of these potential liabilities.

22. Contingent Assets

Heritage Assets

The company has identified its library, herbarium and germplasm collections as heritage assets. For the herbarium and germplasm collections the Directors believe that there is no practical basis upon which to reliably value these collections. For the library refer to note 10.

23. Commitments

Operating Lease Commitments – Group as Lessee:

The group has entered into commercial leases on certain motor vehicles and items of office equipment. The leases have lives of three or four years with renewal options included in the motor vehicle leases only. There are no restrictions placed on the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	GROUP			PARENT		
	31 Dec 2012 $000	**31 Dec 2011 $000**	**30 Jun 2012 $000**	**31 Dec 2012 $000**	**31 Dec 2011 $000**	**30 Jun 2012 $000**
Lease commitments under non-cancellable operating leases:						
Within one year	**127**	246	221	**127**	246	603
One to five years	**47**	173	113	**47**	173	113
	174	419	334	**174**	419	716

Operating Lease Commitments – Group as Lessor:

The group has entered into commercial property leases on its surplus corporate buildings and land. These non-cancellable leases have remaining terms of up to four years on buildings and 30 years on land leases. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	GROUP			PARENT		
	31 Dec 2012 $000	**31 Dec 2011 $000**	**30 Jun 2012 $000**	**31 Dec 2012 $000**	**31 Dec 2011 $000**	**30 Jun 2012 $000**
Lease commitments under non-cancellable operating leases:						
Within one year	**225**	252	232	**138**	165	145
One to five years	**539**	662	608	**191**	313	259
Greater than five years	**798**	885	841	**0**	0	0
	1,562	1,799	1,681	**329**	478	404
Capital Commitments:						
Capital expenditure contracted for at balance date but not provided for	**268**	4,672	681	**268**	4,672	681

24. Transactions with Related Parties

a) Parent

New Zealand Forest Research Institute Limited is wholly owned by the New Zealand Government (the ultimate parent). All transactions with the Government, Government departments and agencies and Government entities are conducted at arm's length. Government Core funding, Public Good Science funding and Capability funding comprises close to 50% of research revenue earned by Scion.

During the year New Zealand Forest Research Institute Limited entered into the following transactions:

		PARENT	
	31 Dec 2012 $000	**31 Dec 2011 $000**	**30 Jun 2012 $000**
b) Subsidiary Company			
Te Papa Tipu Properties Ltd			
Charge for services	**38**	38	76
Payment of rent	**(191)**	(191)	(382)
Net Paid on behalf	**62**	98	102
Amount (payable)/receivable at balance date			
– Intercompany account	**400**	641	491
c) Associates			
Biopolymer Network Ltd			
Supplied goods and services	**613**	623	1251
Receivable/(Payable) at balance date	**117**	125	125
d) Other Related Parties			
WQI Ltd			
Supplied goods and services	**345**	85	337
Received goods and services	**12**	14	(25)
Receivable/(Payable) at balance date	**192**	15	147
Future Forests Research Limited			
Services provided	**3,376**	3,699	6,626
Goods and services received	**18**	28	(50)
Receivable at balance date	**523**	453	716
Payable at balance date	**0**	0	(18)

New Zealand Forest Research Institute Limited has a 7.94% shareholding in WQI Limited (2011: 5.95%). The company's policy is to record such investments at fair value but these shareholdings have not been recorded in the financial statements as their value is not considered to be material to the parent and group. Refer to Note 13 for details on the company's shareholding in Future Forests Research Limited and Note 14 for shareholdings in associates.

24. Transactions with Related Parties (cont)

d) Other Related Parties (cont)

Other

The group's transactions during the six months and period end balances with other parties are as follows:

i) New Zealand Forest Owners Association Incorporated
Provided services totalling $213k (2011: $32k). The amount receivable at period end was $71k (2011: $nil). Goods and services were received during the period totalled $1k (2011: $nil). The amount payable at period end was $1k (2011: $nil).

ii) FITEC
Provided services totalling $23k (2011: $23k). The amount receivable at period end was $2k (2011: $nil). No services were received during the period (2011: $nil).

iii) Juken New Zealand Ltd
Provided services totalling $12k (2011: $12k). No services were received during the period (2011: $nil). The amount receivable at period end was $3k (2011: $11k). There was no payable at period end (2011: $nil).

iv) Orica New Zealand Ltd
No services were received during the period (2011: $3k). Good totalling $3k were provided during the period (2011: $nil). No amount was payable or receivable at period end (2011: $nil).

v) New Zealand Institute of Forestry Incorporated
Received services totalling $1k (2011: $1k). No services were provided (2011: $nil). There was no receivable or payable at year end (2011: receivable of $nil and payable of $nil).

vi) Waiariki Institute of Technology
Provided services totalling $33k. No services were received during the period. The amount receivable at period end was $1k.

Mr Sheldon Drummond, a director of New Zealand Forest Research Institute Limited, is a director of New Zealand Forest Owners Association and an employee of Juken New Zealand. Mr Brian Rhoades, a director of New Zealand Forest Research Institute Limited, is Chairman of FITEC. Ms Alison Andrew, a director of New Zealand Forest Research Institute Limited until 30 August 2012, is a director of Orica.

Dr Warren Parker, CEO of New Zealand Forest Research Institute Ltd, is a director of Future Forests Research Ltd and Te Papa Tipu Properties Ltd.

Mr Rob Trass, CFO and Company Secretary of New Zealand Forest Research Institute Limited, is an Audit and Risk Committee member at Waiariki Institute of Technology.

Terms and conditions of transactions with related parties
Outstanding balances at year end are unsecured and interest free. No guarantees are provided or received for any related party receivables or payables.

No related party debts were written off during the year (2011: $nil) and no impairment allowance has been raised for any of these debts.

24. Transactions with Related Parties (cont)

e) Other Related Parties (cont)

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured and interest free. No guarantees are provided or received for any related party receivables or payables.

No related party debts were written off during the year (2011: Nil) and no impairment allowance has been raised for any of these debts.

	GROUP			PARENT		
	31 Dec 2012 $000	**31 Dec 2011 $000**	**30 Jun 2012 $000**	**31 Dec 2012 $000**	**31 Dec 2011 $000**	**30 Jun 2012 $000**
25. Key Management Personnel						
Short term employee benefits	**1,365**	1,059	1,881	**1,365**	1,055	1,872
KiwiSaver employee benefits	**9**	0	0	**9**	0	0
	1,374	1,059	1,881	**1,374**	1,055	1,872

26. Segment Information

The group operates principally in New Zealand providing scientific research and technology to Government and commercial clients.

27. Reporting Period

These financial statements cover the period 1 July 2012 to 31 December 2012 and have not been audited.

5. Scion Directory 2012/2013

Board of Directors

Mr Tony Nowell (Chairman)
Ms Lizzie Chambers (appointed 10 December 2012)
Mr Sheldon Drummond
Mr Chris Insley
Dr Barry O'Neil (appointed 10 December 2012)
Dr Brian Rhoades
Mrs Judith Stanway

Mr Rob Trass – Company Secretary

Executive Management

Dr Warren Parker – Chief Executive Officer
Dr Russell Burton – General Manager, Research and Investments
Dr Elspeth MacRae – Science General Manager, Manufacturing and Bioproducts
Dr Brian Richardson – Science General Manager, Forest Science
Dr Trevor Stuthridge – Science General Manager, Sustainable Design
Mr Steve Sopora – General Manager, Business Development and Commercialisation (appointed 2 October 2012)
Ms Keri-Anne Tane – General Manager, People and Performance
Mr Rob Trass – Chief Financial Officer

Auditors

Ernst & Young, Auckland, on behalf of the Auditor-General

Bankers

ANZ Bank New Zealand Limited

Solicitors

Bell Gully, Auckland

Registered Office

Te Papa Tipu Innovation Park
49 Sala Street, Private Bag 3020
Rotorua 3010, New Zealand