



scion™

FORESTS ■ PRODUCTS ■ INNOVATION

Half Year Report 2024/25



Cover image:

Upflow.

World-first research: making livestock
feed from geothermal gas.

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HIGHLIGHTS

As New Zealand's leading institute in forestry, industrial biotechnology and advanced manufacturing, Scion is working alongside government and industry partners to drive innovation and growth, create economic value and contribute to beneficial environmental and social outcomes for New Zealand.

This half-year report coincides with the announcement of significant, positive change for New Zealand's science and innovation sector. As we reflect on Scion's performance over the first half of the year, we look forward to helping build a science, innovation and technology system that will deliver greater benefit to New Zealand, enabled by funding and investment aligned to growing a decarbonised economy.

Techlam and Scion forge innovative partnership

Scion is collaborating with Techlam, New Zealand's leading glue-laminated timber manufacturer, to support its work to improve quality control for glulam beams.

As an innovative response to Techlam's request for expertise, Scion invited Jean Margerie, a student from France's esteemed École nationale supérieure d'Arts et Métiers (ENSAM) to New Zealand for a six-month internship.

Jean's international expertise and contributions, including implementing new quality control measures and exploring hybrid beams, have significantly advanced Techlam's processes. This collaboration provided Techlam with cutting-edge research and development and offered Scion practical industry insights to drive innovation.

Techlam managing director Brett Hamilton described the partnership as transformative, highlighting the substantial improvements in product quality and innovation. This successful model underscores the value of international collaboration for driving industry advancement and sets a precedent for future partnerships.

Henri Baillères, Scion's General Manager of Forests to Timber Products, says while the two organisations have long collaborated, this new partnership bridges industry and research, combining expertise and knowledge.



Testing inside Techlam's Levin factory.

Making livestock feed from geothermal gases: Ground-breaking \$500 million opportunity

A collaboration between the Tauhara North No. 2 Trust and New Zealand scientists is set to develop livestock feed from geothermal gases.



Geothermal power stations, Nga Awa Purua (left) and Rotokawa (right) are in the Tauhara North No.2 Trust rohe. Credit: Roy Taoho, Tauhara North No.2 Trust

Thanks to nearly \$5 million in funding from the Tauhara North No. 2 Trust and the Ministry for Primary Industries, Rotorua-based Upflow and partners are progressing research on this world-first project to convert carbon dioxide and methane into protein-rich biomass using microorganisms.

The four-year project – involving Scion, the University of Canterbury and the Cawthron Institute – promises to transform the primary industry by reducing reliance on imported feed and decarbonising the livestock sector.

“This collaboration is a significant step toward sustainable food production,

leveraging Aotearoa’s geothermal resources,” says Andy Blair, Upflow’s Business and Innovation Director. The pilot-scale facility planned for development will pave the way for a potential \$500 million industry by 2045, creating jobs and fostering regional economic growth.

PERFORMANCE INDICATORS

Non-financial indicators

Indicator name	Measure	Frequency	2024/2025 Target	YTD 1 July – 31 Dec 2024
End user collaboration	Revenue per FTE from commercial sources	Quarterly	\$69,384	\$29,300
Financial indicator	Revenue per FTE	Quarterly	\$218,855	\$97,334
Research collaboration	Publications with collaborators	Quarterly	100	59
Technology and knowledge transfer excellence	Commercial reports per scientist FTE	Annually	>2.0	0.46
Science quality	Mean citation score	Annually	4	6.28

FINANCIAL STATEMENTS

For the half year ended 31 December 2024

Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2024

<i>in thousands of New Zealand dollars</i>	Note	Half Year 31 Dec 2024	Half Year 31 Dec 2023	Full Year 30 Jun 2024
Revenue	2a	29,604	32,703	67,908
Other income/(expenditure)	2b	-	-	(89)
Expenditure	3a	(27,548)	(35,644)	(70,744)
Finance costs	3b	(8)	(11)	(21)
Share of profit/(loss) of associates		-	-	-
Profit/(loss) before tax		2,048	(2,952)	(2,946)
Tax expense		-	-	(1,760)
Profit/(loss) for the year after tax		2,048	(2,952)	(4,706)
Other comprehensive income that will not be classified to profit or loss in subsequent periods net of tax				
Remeasurement gain/(loss) on defined benefit plan		-	-	11
Revaluation of carbon units		218	575	178
Total other comprehensive income net of tax		218	575	189
Total comprehensive income for the period attributable to the shareholders of the parent company		2,266	(2,377)	(4,517)

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position (Unaudited) As at 31 December 2024

<i>in thousands of New Zealand dollars</i>	Note	Half Year 31 Dec 2024	Half Year 31 Dec 2023	Full Year 30 Jun 2024
Equity				
Share capital	5	17,516	17,516	17,516
Revaluation reserves	5	931	1,099	713
Retained earnings	5	33,258	32,964	31,210
Total equity		51,705	51,579	49,439
Non-current liabilities				
Provisions - Term		879	411	428
Defined benefit plan- Term		228	491	258
Deferred tax liability		-	-	-
Lease liability - Term		202	358	278
Total non-current liabilities		1,309	1,260	964
Current liabilities				
Trade and other payables		9,982	14,647	13,515
Provisions - Current		47	48	510
Finance leases - current		-	-	-
Defined benefit plan - Current		69	72	250
Lease liability - Current		156	168	166
Deferred tax liability				1,027
Tax payable		(171)	114	-
Total current liabilities		10,083	15,049	15,468
Total equity and liabilities		63,097	67,888	65,872
Non-current assets				
Property, plant and equipment		44,293	44,194	44,587
Biological assets		1,404	1,476	1,404
Intangible assets		1,263	1,448	1,066
Investments in associates		-	-	68
Investments in fair value through P&L		80	85	-
Right-of-use assets		309	479	394
Tax		-	-	-
Deferred tax asset		(1,616)	850	-
Total non-current assets		45,733	48,532	47,519
Current assets				
Cash and cash equivalents		9,768	8,349	9,464
Trade and other receivables		7,449	10,701	8,712
Inventories		147	306	177
Total current assets		17,364	19,356	18,353
Total assets		63,097	67,888	65,872

The accompanying notes form part of these consolidated financial statements.

For and on behalf of the Board, who authorised the issue of these accounts on 25 February 2025.



Richard Westlake
Chair



Stana Pezic
Director

Consolidated Statement of Cash Flows
For the six months ended 31 December 2024

<i>in thousands of New Zealand dollars</i>	Note	Half Year 31 Dec 2024	Half Year 31 Dec 2023	Full Year 30 Jun 2024
Cash received from operating activities				
Receipts from customers (excluding government grants)		18,784	19,711	38,079
Receipts from government grants		11,994	11,893	27,354
Interest received		216	349	590
		<u>30,994</u>	<u>31,953</u>	<u>66,023</u>
Cash disbursed on operating activities				
Payments to employees		18,384	19,350	38,051
Payments to suppliers		12,810	12,707	23,140
Interest paid		17	11	21
Restructuring costs		-	-	488
Income tax paid		8	291	291
		<u>31,219</u>	<u>32,359</u>	<u>61,991</u>
Net cash flow from operating activities	4	<u>(225)</u>	<u>(406)</u>	<u>4,032</u>
Cash received from investing activities				
Proceeds for sale property, plant and equipment		3,035	-	-
Government grant		-	-	-
		<u>3,035</u>	<u>-</u>	<u>-</u>
Cash disbursed on investing activities				
Investment in property, plant & equipment		2,308	3,541	6,852
Purchase of other investments and intangible assets		113	54	(17)
		<u>2,421</u>	<u>3,595</u>	<u>6,835</u>
Net cash flow from investing activities		<u>614</u>	<u>(3,595)</u>	<u>(6,835)</u>
Cash received from financing activities				
Term loan drawdown		-	-	-
Total cash received from financing activities		<u>-</u>	<u>-</u>	<u>-</u>
Cash disbursed on financing activities				
Repayment of the lease liabilities		85	82	165
		<u>85</u>	<u>82</u>	<u>165</u>
Net cash flow from financing activities		<u>(85)</u>	<u>(82)</u>	<u>(165)</u>
Total net cash flow		<u>304</u>	<u>(4,083)</u>	<u>(2,968)</u>
Net increase/(decrease) in cash held		<u>304</u>	<u>(4,083)</u>	<u>(2,968)</u>
Add opening cash brought forward		<u>9,464</u>	<u>12,432</u>	<u>12,432</u>
Cash carried forward		<u>9,768</u>	<u>8,349</u>	<u>9,464</u>

The accompanying notes form part of these consolidated financial statements.

Statement of Accounting Policies (Unaudited)

For the half year ended 31 December 2024

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 consolidated financial statements consist of New Zealand Forest Research Institute Limited and its subsidiaries (the Group). The consolidated financial statements of New Zealand Forest Research Institute Limited for the year were authorised for issue in accordance with a resolution of the directors on the date as set out on the Consolidated Statement of Financial Position.

New Zealand Forest Research Institute Limited (the Company) is domiciled and incorporated in New Zealand and is wholly owned by the Crown.

The activities of New Zealand Forest Research Institute Limited include a range of research and development programmes aimed to drive innovation and growth from New Zealand's forestry, wood-derived materials and other biomaterial sectors to create economic value and contribute to beneficial environmental and social outcomes for New Zealand.

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 consolidated 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, the Financial Reporting Act 2013, the Public Finance Act 1989, the Crown Entities Act 2004 and the Crown Research Institutes Act 1992. The consolidated 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 consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

b. Statement of compliance

The consolidated financial statements have been prepared in accordance with NZ GAAP. For the purpose of complying with NZ GAAP, the Group is a for profit entity. They comply with New Zealand equivalents to International Financial Reporting Standards (IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The consolidated financial statements comply with IFRS.

1.2 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that effect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures.

a. Revenue recognition from contracts with customers

Revenue is predominately recognised based on the percentage of work completed on a project basis over time. Percentage of work completed is based on costs incurred from inception of the project as a percentage of total forecasted project costs. Management judgement is required in estimating total forecasted costs which impacts the revenue recognised (Note 2).

In determining if a customer contract can be recognised over time, management have considered their right to receive payment for work done up to the point of any termination of contract. In the absence of a termination clause management has assessed that the Group has a clear right to be paid for work completed up to the point of termination.

b. Heritage assets

The Group holds several heritage assets which have significant value due to being both 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.

The increase/decrease in value is recognised in the Consolidated Statement of Financial Position through other comprehensive income.

Due to the nature of some heritage assets, management does not believe they can be valued reliably. These assets have been identified and disclosed.

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.

1.3 New accounting standards and amendments

The following standard has been issued but not yet adopted for the half yearly financial statements and may have an impact on the Group's end of year financial statements:

NZ IAS1 Classification of Liabilities as Current and Non Current.

The impact is not considered to be material.

Notes to and forming part of the consolidated financial statements
For the half year ended 31 December 2024

<i>in thousands of New Zealand dollars</i>	Half Year 31 Dec 2024	Half Year 31 Dec 2023	Full Year 30 Jun 2024
2 Revenue and other income			
(a) Revenue			
<i>Revenue from research contracts</i>			
Ministry of Business, Innovation and Employment revenue	7,566	8,047	16,001
Other Government and Crown Research Institute revenue	3,748	4,506	9,639
Commercial research revenue	5,489	7,169	16,405
	16,803	19,722	42,045
<i>Government grants</i>			
Strategic Science Investment Fund	11,994	11,893	23,786
COVID Response and Recovery Fund	-	-	-
	11,994	11,893	23,786
<i>Other revenue</i>			
Commercial lease revenue	558	581	1,232
Interest revenue	238	303	551
Other revenue	11	204	294
	807	1,088	2,077
Total revenue	29,604	32,703	67,908
(b) Other income/(expenditure)			
Change in fair value of plantation trees	-	-	(72)
Revaluation of non-controlling interests	-	-	(17)
	-	-	(89)
3 Expenditure and finance costs			
(a) Expenditure			
Personnel remuneration and expenses	17,415	18,833	37,547
Other personnel related costs	154	327	689
Contractors and subcontractors	6,760	9,260	18,098
Consumables	536	796	1,505
Travel and accommodation	608	925	1,427
Rental and equipment hire costs	111	181	285
Depreciation on leases	85	85	170
Depreciation	2,715	2,766	5,585
Amortisation	20	20	50
(Gain)/loss on disposal of fixed assets	(3,047)	22	(189)
Impairment of assets	-	-	-
Restructuring costs			951
Premises	1,770	1,900	3,617
Directors' fees	158	185	341
Other	263	344	669
	27,548	35,644	70,745
(b) Finance costs			
IRD use of money interest	-	-	-
Lease interest	8	11	21
	8	11	21

4 Reconciliation of operating profit after taxation with cash flows from operating activities

Reported profit/(loss) after taxation	2,048	(2,952)	(4,706)
Add/(less) non-cash items:			
Depreciation	2,820	2,872	5,755
Amortisation	-	-	50
Movement on employee provision	(30)	30	(32)
Provision for doubtful debts	-	-	-
Movement on lease liability	-	-	-
Movement in deferred tax	(17)	-	(1,877)
	2,773	2,902	3,896
Add/(less) items classified as investing activity:			
(Gain)/loss on disposal of property, plant and equipment	(3,047)	-	-
Share in associate (profit)/loss	-	-	-
Capital related items in creditors	-	-	-
Fair value movement in biological assets	-	-	(17)
	(3,047)	-	(17)
Movements in working capital items:			
(Increase)/decrease in debtors and prepayments	1,265	752	2,698
(Increase)/decrease in inventories	30	103	(232)
Increase/(decrease) in creditors and accruals	(3,294)	(1,211)	2,096
Increase/(decrease) in taxation payable	-	-	297
	(1,999)	(356)	4,859
Net cash flows from operating activities	(225)	(406)	4,032

5 Contingencies

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 the impact of these contingencies.

6 Reporting period

These financial statements cover the period 1 July 2024 to 31 December 2024 and have not been audited.

7 Significant events after reporting date

On the 23rd January 2025, the Science, Innovation and Technology Minister announced changes to the New Zealand science system with reforms that include transforming the current seven Crown Research Institutes (CRIs) into three Public Research Organisations (PROs). These will focus on bio-economy, earth sciences, and health and forensic sciences.

DIRECTORY

Directors

Mr Richard Westlake (Chair)
- commenced 1 July 2024

Ms Nicole Anderson
- commenced 10 July 2023

Ms Stana Pezic
- commenced 14 August 2017

Ms Kiriwaitangi Rei-Russell
- commenced 10 July 2023

Mr Phil Taylor
- commenced 10 July 2023

Mr Tony Allison
- commenced 17 July 2024

Mr Murray Sherwin CNZM
- commenced 17 July 2024

Ms Zara Morrison
(Future Director)
- commenced 1 July 2023

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Dr Julian Elder
Chief Executive

Dr Henri Baillères
General Manager, Forests to
Timber Products

Dr Roger Dungan
General Manager,
Strategic Partnerships and
Communications

Dr Florian Graichen
General Manager, Forests to
Biobased Products

Dr Marie-Joo Le Guen
General Manager,
Science Services

Mr Cameron Lucich
General Manager, People,
Culture and Safety

Ms Shontelle Bishara
General Manager, Māori
Futures

Dr Tara Strand
General Manager, Forests
and Landscapes

Ms Justine Wilmoth
General Manager, Finance
and Corporate Services

Bankers

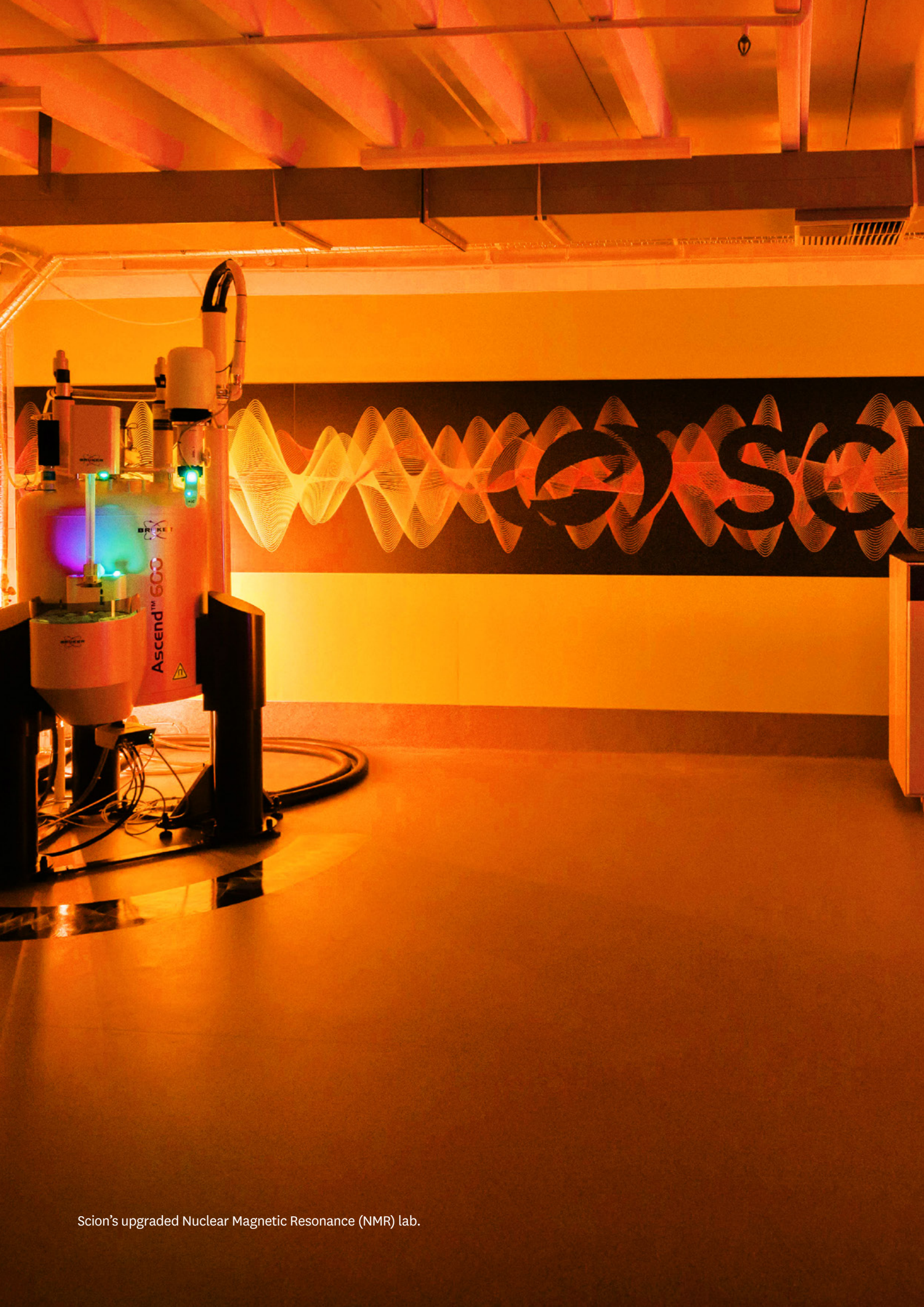
ANZ Bank of New Zealand
Limited

Auditors

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

Solicitors

Bell Gully, Auckland



Scion's upgraded Nuclear Magnetic Resonance (NMR) lab.



