2021 ANNUAL REPORT
REPORTS AND FINANCIAL STATEMENTS

SCION 2021 ANNUAL REPORT
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Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989.

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

Highlights is an illustrated document containing the Chair and Chief Executive report, descriptions of our research performance, collaborations, partnering with Māori and outreach summary.

Our Annual Report is also available in digital format at www.scionresearch.com/annual-reports

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Good employer and equal opportunities

Scion is committed to be a good employer and promoter of equal employment opportunities.

Our people and performance practices and Scion values help the good employer principles to thrive by building a culture and working environment that supports empowerment, diversity, equity, inclusion, innovation and accountability.

We deliver on the good employer obligations through our Board Good Employer Policy and our Equal Employment Policy, along with our management policies, programmes and practices.

Scion's progress against key good employer elements over the 2020-21 financial year are summarised below.

Leadership, accountability and culture

To deliver on Scion's Strategy to 2030, three research impact areas were established and led to a reshaped Executive Management Team. Three Impact Area General Managers and the General Manager Te Ao Māori and Science Services roles were created, and the vacant Chief Innovation and Science Officer and Chief Operating Officer roles were not replaced.

An organisational wide co-design process began with the science operating model, which resulted in a matrix operating structure in place of eight stand-alone science teams.

The new science operating model went live in April 2021 and has provided:

- Greater career paths for our science staff, particularly evident with the establishment of the new technologist path;
- Greater visibility and synergy of activity across Scion of the principal researcher cohort;
- Greater utilisation and visibility of research capability across Scion now that individual teams no longer operate in an insular fashion.

From February 2021, corporate and functional co-design sessions followed, with the new structure to enable our science operating model being confirmed in the first week of July 2021.

Leadership cultural foundations started with an executive and management development programme that will continue in a leadership development programme commencing in August 2021.

A behavioural competency framework from SHL, an international talent management services company, was implemented. Behaviours applicable to the science area that foster a strong leadership culture are now included in position and role descriptions.

Our people processes and experiences continued to contribute to our envisaged organisational culture. Our Te Reo workshops were transferred into Scion's Learning Experience Platform, and a Māori learning framework put in place as a precursor to the Māori competency framework.

A cultural committee was established to advance the cultural aspirations of Scion with a portfolio including diversity and inclusion, cultural engagement, psychological safety, social activities and actioning of Scion's values. Pulse surveys were conducted before lockdown (with response rate of 89%) and upon return to the office (85% response). Responses to an open question that asked employees what they enjoyed the most about working at Scion indicated overwhelmingly that it is the people, followed by the environment and then science.

The next pulse survey was conducted early in 2021-22 once the new functional and corporate structure was in place.

Recruitment and selection

Scion's recruitment and selection practices continued to ensure that we recruit the best person for the job. Discriminatory terms and bias are excluded from our recruitment practices and our recruitment panels following the principles of the Human Rights Act 1993.

Recruitment was affected by the COVID-19 pandemic and the Government's immigration response resulting in challenges for potential overseas candidates. The most notable impact was the time period to get a new employee into New Zealand.

Our science realignment provided new leadership opportunities, with the majority of these opportunities being taken up by internal candidates.

During the year, Scion remained stable at around 327 headcount for permanent and fixed-term two-year plus employees.

Employee development, promotion and exit

Scion's learning experience platform was actively accessed by employees. Partnering with LinkedIn Learning, employees had access to over 9000 courses. Scion also developed inhouse courses relevant to Scion's way of working.

To further develop domestic research talent, Scion has doubled its investment in its annual summer student programme, introduced a technologist career pathway to recognise our applied scientists and in conjunction with other CRIs been actively involved in developing a proposal to MBIE's Equity, Diversity and Inclusion Fund to increase the participation of Māori in science.

Working towards a holistic employee experience, the ACE performance management approach was discontinued and extensive reviews on a performance development approach were conducted.

Employees continued to apply for career progression, and 33 employees were promoted from 49 applications. Science band descriptors were revised, providing the opportunity for those who focused on applied science to now progress their career as a technologist. At the last progression, four staff were progressed as technologists. Turnover of permanent appointed employees was 12.5% (including redundancies).

Exit survey results were positive overall, with individual positive indicators at 78% recommending Scion as an employer. Reasons for leaving were career opportunities, personal, career progression, fixed-term agreements coming to an end, retirements, location and health.

Flexibility and work design

Our employees have a high degree of autonomy and self-determination over their working time. We offer highly flexible work-times as well as the opportunity to work reduced hours.

At end of June, 61 employees worked part time. We continued to explore opportunities to improve work/life balance using equal opportunities and equity design principles to offer a supportive workplace culture for the needs of our diverse workforce. This culture includes wellness programmes, with various events planned for the year, such as mindfulness, nutritionists, physical exercises and forest walks.

Results from the 'ways of working' pulse survey held after employees returned to work after the COVID-19 lockdown gauged employees perceptions of work options. As a result, flexibility options were explored in depth.

With the Whakarewarewa Forest on our doorstep many staff head into the forest to run, walk or mountain bike on their breaks or after work. Walking meetings are encouraged, and our campus is dog-friendly, which is another reason to get outdoors.

Remuneration, recognition and conditions

Remuneration is based on job bands and remuneration ranges sourced from external market surveys produced by Korn Ferry Hay Group. Also, benchmarking of our internal position and salary data was done against five surveys and relevant international markets to accurately allow us to set a competitive 'pay position' for Scion. Annually we work with the PSA Union and our Board of Directors to set the remuneration budget. In negotiation with the PSA Union we determine how this budget will be applied across all staff in the annual remuneration round.

Collective negotiations for 2020-21 were conducted within the Public Service Commissions guidance, concluding with a ratified settlement.

Scion provides supportive paid sick leave to all employees. Ninety-eight employees accessed sick and domestic leave beyond the legislative allowance. Scion also maintained an income protection and life insurance policy available to all permanent staff.

The annual Scion Staff Recognition Awards formally recognised and celebrated the outstanding contributions Scion employees made to the organisation.

Our monthly and quarterly all-staff meeting formats were refreshed to recognise team and individual successes and update staff on current projects. Quarterly meetings held at the end of the day followed by drinks and nibbles created informal get-togethers.

Harassment and bullying prevention

Scion provides employees with the necessary skills to address relationship issues ensuring a proactive, efficient and effective workplace. Policies are in place to deal with problem resolution and challenging behaviour.

Facilitated processes and discussions continued to positively resolve interpersonal issues and improved working relationships.

Employees at Scion were able to access EAP for support with workplace and personal matters. Use of the service decreased during the year.

Safe and healthy environment

Scion continued to promote employee well-being and contribute to and improve the H&S environment, such as being more proactive with H&S with learning teams and undertaking failure scenarios like chemical spills.

Twenty-four staff undertook emergency warden training, and 35 staff undertook fire extinguisher training. Seventy staff were trained in outdoor first aid, which aligns with the work done at Scion. Ten staff were trained as mental health first aiders.

The year ended with no notifiable injures. There were 38 incidents and 90 near misses reported, compared to 1 notifiable injury, 23 incidents and 56 near misses reported in 2019-20. The increase in reporting was due to the new 'Risk Manager' H&S software system being easier to use and efforts in encouraging staff to report.

A company-paid influenza vaccination was taken up by 120 staff, and 200 staff received their COVID-19 vaccinations.

COVID-19

Scion continued to comply with the Government's response and provided regular updates to staff on regulations and expectations. When the travel bubble opened, staff were informed of the risks as well as Scion's expectations.

To support staff affected by work visa issues as a result of immigration restrictions, Scion reached out to this cohort to understand their individual situations, provided financial assistance for additional visa requirements and an immigration consultant to provide assistance.

Work-place profile at 30 June 2021

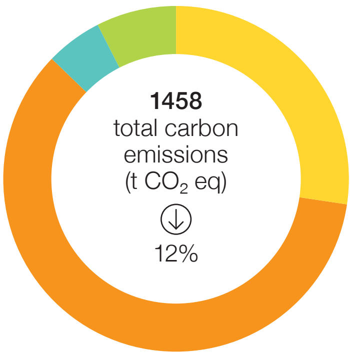
Total staff	Total permanent employees 327 – 51% male and 49% female (excludes fixed term, students, post-docs and casual staff – 29 employees)
FTEs	Full time equivalent permanent employees total 310.6 (excludes fixed term, students, post-docs and casual staff – 18.15)
Disability disclosed	4% of all employees
Age	20-29 years - 7%; 30-39 years - 25%; 40-49 years - 26%; 50-59 years - 29%; 60-69 years - 12%; 70+ years - 1%
Māori	11% of all employees
Pacific Islander	1% of all employees
Nationality	New Zealand - 60%; Europe & USA - 23%; Asia – 9%; Middle Eastern & Latin America – 8%

Environmental performance

Scion's annual carbon emissions showed a drop like last year. For the 2020-21 year, emissions were 205 tonnes CO_2eq lower than in 2019-20, again mainly owing to air travel-related reduction of 248 t CO_2eq.

Gas usage remained the highest source of our emissions at 872 t CO_2eq. This increased by 10 t CO_2eq from 2019-20.

Relative CO_2 emissions from Scion activities for 2020-21



		Change from 2019-20
+ Electricity	398	↑ 7%
+ Gas	872	↑ 1%
* Fuel	77	↑ 6%
* Flights	111	↓ 69%

+ Rotorua only * All of Scion

We commissioned WoodBeca to complete an assessment of the options for reducing reliance on natural gas at our Rotorua site, with support from the State Sector Decarbonisation Fund managed by EECA. Gas currently accounts for 60% of Scion's carbon emissions.

Three Hyundai Kona BEVs were introduced to our vehicle fleet and four additional electric charging stations were set up at our Rotorua site. The new vehicles and two of the charging stations, were purchased with support from the State Sector Decarbonisation Fund. We will continue to optimise the use of our fleet vehicles over the coming year.

The volume of waste from bins picked up for 2020-21 was a good result with 23m³ less waste than the 2019-20 year in which no waste was removed for some weeks owing to COVID-19. Our activities around diverting waste from landfill resulted in 2.4 t of organic waste and 1.2 t of scrap metal diverted. The organic waste included 1.3 t of food waste to our Vermicompost system on site and 1.1 t of used coffee grounds taken home by staff for composting.

Our recycling programme at our Rotorua site continued with 25 m³ of milk bottles, glass bottles and steel cans picked up by Waste Management for recycling. Cardboard and paper recycling go directly to OjiFS for fibre recovery at the Kinleith and Penrose mills. E-waste (1.7 m³) was returned to HP through the HP recycling programme. Used alkaline batteries (15 kg) and old mobile phones were also collected for recycling through the Abilities Group and the ReMobile scheme, respectively.

Staff actions contributed to helping reduce environmental impact, such as cleaning up along the Puarenga Stream that bounds our Rotorua site, and Christchurch staff tree planting during the year.

Income from recycling 10,385 aluminium cans supplied by Rotorua staff (and from roadside clean-ups) was used to purchase two fruit trees for a local school and 24 native trees for restoration work through the Trees that Count programme.

Corporate governance

Scion's Board of Directors is appointed by its Shareholding Ministers, the Minister of Science and Innovation and the Minister of Finance. All members of the Board are independent. The responsibility of the Board is to guide and monitor the business of Scion and its subsidiaries including:

- reviewing and approving Scion's strategy and Statement of Corporate Intent;
- adopting policies of corporate conduct (including risk management and delegations of authority) and ensuring that systems and procedures are in place to carry out those policies;
- adopting annual operating and capital plans, and budgets;
- monitoring performance against key objectives and budgets on a monthly basis;
- ensuring Scion proactively meets all health and safety requirements;
- evaluating the performance of the Chief Executive; and
- reviewing and improving the effectiveness of the Board.

The Board operates in accordance with Scion's Constitution. It has up to seven directors who meet up to 11 times over the year either in person or by video conference. The Board may retain independent advisers, including independent legal counsel or other experts, as it deems appropriate.

The Board has three standing committees, the Audit and Risk Committee, Master Plan Committee and the People and Culture Committee.

The function of the Audit and Risk Committee is to assist the Board in discharging its responsibilities regarding financial reporting, regulatory conformance and matters of risk management. The committee is the liaison point for internal and external auditors, assesses the performance of financial management (the investment cases for major items of capital expenditure), reviews audit findings, the annual financial statements and interim financial information, and has oversight of the development and review of policies to ensure compliance with statutory responsibilities.

The function of the People and Culture Committee is to assist the Board in the establishment and regular review of remuneration and organisation policies and practices, and to assist the Board in discharging its responsibilities relating to the appointment, remuneration setting and review of Scion's Chief Executive. The committee also approves the appointment and remuneration of senior executives and inputs into and monitors achievement of the annual Health and Safety Plan.

The objective of the Master Plan Committee is to provide master planning oversight to the design, build and operations of facilities and significant capital investments across all locations and make recommendations to the Board. All discussions are made with full consideration to mana whenua.

Each standing committee comprises no less than three members of the Board, appointed by the Board from time to time; and meets at least twice annually and intersessionally as required. While the Chair of the Board is an ex-officio member of each committee and has full voting rights, s/he may not be Chair of the Audit and Risk Committee.

All discussions are to be made with full consideration to mana whenua. For the Rotorua campus those principles will be set out in the kawenata between Ngā Hapū e Toru and Scion.

All Directors are entitled to attend all committee meetings. Each committee establishes annual work plans and undertakes an annual review of its objectives and responsibilities, and its terms of reference. Each committee also makes regular reports to the Board.

The Board's risk management policy and procedures involve formal reporting by management of the most significant risks Scion is exposed to, and the Board regularly monitors management of those risks. There is also regular monitoring and reporting on progress in meeting recommendations made by external auditors.

Directors' report

Principal activities

New Zealand Forest Research Institute Limited (trading as Scion) is a company registered under the Companies Act 1993. Our principal activity is to conduct research in accordance with the purpose and principles specified in Sections 4 and 5 of the Crown Research Institutes Act 1992 (the Act). Scion has met all the obligations under the Act for the year ended 30 June 2021.

Scion, a Crown Research Institute, is a science and technology company delivering solutions to both commercial and government clients. While the principal research campus is in Rotorua there are also offices in Christchurch and Wellington.

Our core purpose is to drive innovation and growth from New Zealand's forestry, wood product and wood-derived materials and other biomaterial sectors, to create economic value and contribute to beneficial environmental and social outcomes for New Zealand.

Scion's strategic plan is set out in the Scion Strategy to 2030, which was updated in January 2020. The strategy provides a long-term direction and programme of work to deliver Scion's core purpose and deliver great outcomes for New Zealand nationally and regionally. The strategic goal is to help in "Transitioning New Zealand to a circular bioeconomy", and Scion will do this through three research impact areas: Forests and landscapes; Forest to timber products; and Forests to biobased products.

Scion's Statement of Corporate Intent 2021-2024 sets out our goals for each research impact area and outlines our focus on:
- Climate change
- Circular bioeconomy
- Significance to Māori
- Regional economic development
- Enabling scale up for new bioeconomy enterprises.

Our work is delivered in the context of our operating environment, supporting government policies and COVID-19 recovery while working within the current science system.

Scion has two wholly-owned subsidiaries (Te Papa Tipu Properties Limited and Sala Street Holdings Limited) and has a 14.56% shareholding in Biopolymer Network Limited.

- Te Papa Tipu Properties Limited owns the Group's land assets.
- Sala Street Holdings Limited is a currently a dormant holding company, its investment in Terax 2013 Limited having been liquidated during the year.
- Biopolymer Network Limited's purpose is to create technologies for advancing the utilisation of renewable biobased materials in industrial applications. Scion does not have director representation nor voting rights.

Summary of Group financial results to 30 June 2021

Due to the uncertain impacts of COVID-19 and the ongoing long-term funding review with MBIE, costs continued to be managed with extreme restraint during 2020-21. $4.8m of COVID Response and Recovery Funding contributed significantly to the overall result for the second year.

	2021 $000	2020 $000
Operating revenue	61,083	57,880
Profit before tax	6,590	6,118
Taxation expense	(1,905)	(755)
Profit after tax	4,685	5,363
Other comprehensive income net of tax	185	181
Net comprehensive income attributable to shareholders	**4,870**	**5,544**
Equity		
Issued and paid up capital	17,516	17,516
Retained earnings	34,949	30,264
Reserve	582	397
Total equity	**53,047**	**48,177**

The state of the Company's affairs

A commentary on the year's performance is outlined in the Chair and Chief Executive Overview (in Highlights, Part A), and in the opinion of the Directors, the state of the company's affairs continues to be satisfactory.

Dividend

No dividend was recommended for the year ended 30 June 2021 (2020: $0k).

Donations

No donations were made during the year (2020: $0k).

Executive remuneration

Executive remuneration is managed within the terms and conditions of the Executive Remuneration Policy summarised below. This policy sets out remuneration elements and design principles informing the remuneration arrangements for executive management. Remuneration practice throughout Scion is transparent in the way in which it is determined and administered and will always conform to sound corporate governance principles.

Governance. The People and Culture Committee, a committee of the Scion Board, oversees the application and implementation of the executive remuneration policy.

Basic pay principles. Pay principles offer clarity and guide decisions around executive remuneration that ensure fair, competitive and appropriate pay for the markets in which Scion operates. Scion's executive pay principles aim:

- To pay executives at a level commensurate with their contribution to Scion and appropriately based on skill, experience and performance achieved.
- The level of remuneration paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of Scion's strategy and management of the environments in which it operates.
- Executive remuneration is set having regard to typical pay levels at companies of a similar size and role complexity.
- When reviewing remuneration, the committee considers all relevant factors, including:
  - Prevailing market and economic conditions;
  - Organisational performance and individual experience and contribution;
  - Internal equity and pay parity;
  - Accurate benchmark position and job size; and
  - Market benchmark survey results.

Executive pay position and structure.

- Scion participates in industry and profession-based market salary surveys using external remuneration consultants to understand what the market is paying for roles like ours.
- Executive remuneration consists of base salary, superannuation payments and benefits (being KiwiSaver contributions), which makes up total remuneration. In 2017-18 year and 2018-19 year remuneration included an At Risk component. Since the 2019-20 year there is no At Risk component to the salary package.
- The Base Salary and Total Remuneration Position in Range of individual executives are reviewed against the All Organisations Base Salary Market Median Line and the All Organisations Total Remuneration Market Median Line.
- Scion aims to position executive remuneration at the appropriate Position in Range (PIR) of the relevant All Organisations Market Median Line. Experienced executives are positioned at a 96-109% PIR.
- Base salary increases are capped at 120% PIR of the All Organisations Base Salary Market Median Line and one-off performance payments may be considered in this regard. In accordance with the Public Service Commission's pay guidelines, no executive received a pay increase in the 2020-21 year.
- Total executive remuneration for the 2020-21 financial year excluding CEO remuneration was $1,800,068 (FY2019-20 $1,561,616), the year on year increase was due to changes in the structure of the executive team and timing of recruitment into new roles.

Chief Executive Officer's remuneration

The structure of the Chief Executive Officer's remuneration is consistent with the prior year being:

	2021	2020
Base salary	470,152	470,152
Benefits, comprising KiwiSaver contributions, additional leave, insurance and the use of a motor vehicle	31,695	32,577
Total remuneration	501,847	502,729

The Chief Executive Officer receives 3 days Company Holidays, consistent with all Scion employees and 25 days annual leave.

Employee remuneration

Section 211(1)(g) of the Company's Act requires the disclosure of the number of people paid in excess of $100,000 in bands of $10,000.

Remuneration and compensation included performance awards, superannuation benefits, and KiwiSaver subsidy. Some other benefits were not quantified and are therefore excluded, including staff parking, home telephone and membership of relevant professional societies.

During the year ended 30 June 2021, $128,322 was paid to four employees in relation to cessation of employment with Scion (2020: $62,392 to two employees). Cessation payments included $83,322 for retirement benefits for two employees (2020: $0 for 0 employees).

Bands	Number in each band
$500,000 - $509,999	1
$270,000 - $279,999	1
$260,000 - $269,999	1
$230,000 - $239,999	1
$210,000 - $219,999	1
$190,000 - $199,999	1
$180,000 - $189,999	1
$170,000 - $179,999	1
$160,000 - $169,999	2
$150,000 - $159,999	3
$140,000 - $149,999	7
$130,000 - $139,999	10
$120,000 - $129,999	9
$110,000 - $119,999	12
$100,000 - $109,999	27
	Total 78

Directors' profiles

Dr Helen Anderson QSO (Chair) is an experienced director and is currently chair of BRANZ and Studio Pacific Architecture. She sits on a number of advisory committees for government including MPI and Stats NZ. Dr Anderson is a Chartered Fellow of the Institute of Directors, and has served on the Institute of Directors National Council. She has recently held directorships of NIWA and DairyNZ, and currently serves on the boards of Antarctica NZ, ClearPoint Ltd, and Risk and Assurance Committees for MPI and StatsNZ. She has a PhD in seismology from the University of Cambridge.

Mr Greg Mann (Director) has over 20 years' management experience in organisations that conduct research and develop and market valuable new products, services and technologies globally. Currently, he is the General Manager of ArborGen Australasia. ArborGen is the leading global supplier of conventional and advanced genetic tree seedlings to the forestry sector. Mr Mann has a BSc (Hons) from Victoria University and has completed executive training programmes at Darden Business School and the Massachusetts Institute of Technology.

Ms Colleen Neville (Waikato-Tainui) (Director) is the Rotorua-based Chief Executive Officer of Te Arawa Group Holdings Limited. She is a chartered accountant and has 20 years' experience in a range of financial roles for national and international companies. Ms Neville has governance experience as a Director of Te Arawa Group Holdings Limited subsidiaries, Te Kakano Whakatipu Limited, Matai Pacific Iwi Collective Ltd and Tourism New Zealand. Ms Neville retired from the Board as at 30 June 2021.

Dr Barry O'Neil (Director) is the principal Director of Keronlea Ltd, a company specialising in biosecurity consultancy. He is the current Chair of Horticulture NZ, and of Tomatoes NZ. He also sits on the board of the Primary Sector Councils establishment group, and the Food and Fibre Leadership forum chairs group, and recently concluded his time as Chair of the kauri dieback independent review panel. He has had a long career involving biosecurity, including being the head of MAF's Biosecurity New Zealand, and more recently as Chief Executive of Kiwifruit Vine Health, the kiwifruit biosecurity organisation that led the response to the vine disease Psa-V. Dr O'Neil also owns and manages a kiwifruit orchard in Katikati. Dr O'Neil retired from the Board as at 30 June 2021.

Ms Stana Pezic (Director) has over 25 years' experience in financial management, general management, business planning and strategy, process change and information systems spanning a broad range of industries including forestry and wood processing. She is currently General Manager – Retail Finance for Genesis Energy. Her previous governance roles include Plant and Food Research Ltd and Kaipara District Council. Ms Pezic is a chartered accountant and has a BCom and DipBus from Auckland University.

Dr Jon Ryder (Deputy Chair) is currently the Chief Executive Officer of Oji Fibre Solutions OjiFS - Pulp, Paper and Packaging and is directly responsible for all activities of these businesses: health, safety and environment, EBIT, manufacturing, engineering, sales and marketing and strategic development. Dr Ryder has gained over 30 years' experience in the forestry, pulp and paper business. Dr Ryder's interest in the industry started from his biochemistry degree from Manchester University and then a PhD from UMIST in Pulp and Paper Manufacturing. His career has spanned international boundaries starting in the United Kingdom in technical and production management of fine coated papers mills, in New Zealand with packaging paper manufacturing at Kinleith and then pulp mill management experience at Tasman. He also managed the Pulp and Paper Mills in Australia as well as sales and marketing functions for Australian Papers. Dr Ryder returned to New Zealand in 2012 to take up the challenge as CEO of the business formerly known as Carter Holt Harvey Pulp, Paper and Packaging. The name changed to Oji Fibre Solutions OjiFS in November 2015 following the sale of the business on 1 December 2014 to a joint venture between Oji Holdings and Innovation Network Corporation of Japan (INCJ).

Mr Steve Wilson (Director) was awarded the New Zealand Order of Merit (MNZM) for services to industry, is a Fellow of the New Zealand Institute of Management and a Life Member of Plastics New Zealand. His other current roles include Chairman, Holmes Solutions LP, and Chairman of the Advisory Board for the Product Accelerator. Mr Wilson is a graduate mechanical engineer (BE 1st Class, Canterbury). He has had over 40 years' experience as a CEO of companies primarily in the engineering, garment and plastics industries. He has had a diverse range of governance roles on boards of technology companies, venture capital companies and of manufacturing exporters.

Changes in directors

Ms Colleen Neville and Dr Barry O'Neil retired as directors on 30 June 2021.

Directors’ interests

Any business the company has transacted with organisations in which a Director has an association has been carried out on a commercial ‘arms-length’ basis. Directors’ interests included in the interest register during the year are:

Director name	Director Interests	Relationship
Helen Anderson	NIWA (to 30 June 2021)	Director
	BRANZ Limited	Chair
	Antarctica NZ	Director
	Clearpoint Limited	Chair – Advisory Board
	Anderson Associates NZ Limited	Director and Shareholder
	Studio Pacific Architects and parent company Nationwide Architects Limited	Chair
	MPI Risk and Assurance Committee	Member
	Statistics NZ Risk & Assurance Committee	Member
	AWPT Limited	Director
Greg Mann	ArborGen New Zealand Unlimited	Director
	ArborGen Australia Pty Limited	Director
	ArborGen Australia Holdings Pty Limited	Director
	MBIE Tissue Culture Project	Member – Programme Governance Group
Colleen Neville	Te Arawa Group Holdings Limited	Chief Executive Officer
	Te Arawa Agribusiness Limited	Director
	Te Arawa Forestry Limited	Director
	Te Arawa Property Holdings No 2 Limited	Director
	Te Arawa Tourism Limited	Director
	Te Kakano Whakatipu Limited	Director
	Tourism New Zealand	Director
	Raukokore Gold Kiwifruit Development Limited	Director
	Mata Pacific Iwi Collective Limited	Chairperson
Barry O'Neil	Keronlea Ltd (19/01/18) (previously known as Biosecurity NZ Ltd)	Director
	Keronlea Orchard	Owner
	Horticulture New Zealand	Director
	Tomatoes New Zealand	Chairperson
	Horticulture New Zealand	President and Chairman of Directors
	Food and Fibre Partnership Group	Member
Stana Pezic	Cerbere Investments Limited	Director and Shareholder
	Pink Ice Limited	Director and Shareholder
	Genesis Energy Limited	General Manager - Retail Finance and Commercial
	NZFF Holdco Limited and subsidiary companies	Director

Director name	Director's Interests	Relationship
Jon Ryder	Kaipara District Council	Chair Audit, Risk & Finance Committee
	Oji Oceania Management (NZ) Limited and Oji Fibre Solutions (NZ) Limited	Director and CEO
	Wood Processors and Manufacturers Association	Director
	The Wood Council of New Zealand	Director
	Bearing 360 Limited	Director
Steve Wilson	Talbot Technologies Limited	Director and Owner
	Powerhouse Ventures Limited	Shareholder
	Holmes GP Products Limited	Chair
	Product Accelerator Advisory Board	Chair
	Design Energy (Robotics)	Advisor
	Te Papa Tipu Properties Limited	Director

Directors' remuneration

Director's name	Scion 30 June 2021	
Helen Anderson	$58,000	Chair
Greg Mann	28,500	
Colleen Neville	28,500	
Barry O'Neil	30,500	Chair – People and Culture Committee
Stana Pezic	30,500	Chair – Audit and Risk Committee
Jon Ryder	36,250	Deputy Chair
Steve Wilson	28,500	Chair – Master Plan Committee
Total	**$240,750**	

Subsidiary entities

Steve Wilson, Dr Julian Elder and John Kahukiwa are directors of Te Papa Tipu Properties Limited. There were no changes to directors during the year and no remuneration was paid to these directors for the year ended 30 June 2021. The directors' interests are:

Director's name	Director's Interests	Relationship
Julian Elder	The Elder Group	Director
	Sala Street Holding Limited	Director
	Te Papa Tipu Properties Limited	Director
John Kahukiwa	Te Whakarewarewa No.1 Block Limited	Director and Shareholder
	Te Papa Tipu Properties Limited	Director

Dr Elder and David (Rob) Trass were directors of Sala Street Holdings Limited during the year. The entity had no activity during the year.

Use of company information

During the year no notices were received from members of the Board requesting to use Scion information received in their capacity as Directors which would not otherwise have been available to them. Additions to the Interests Register are noted in the profiles above.

Directors' indemnity and insurance

Scion has insured all Directors and the Directors of its subsidiaries against liabilities to other parties (except to Scion or a related party of Scion) that may arise from their position as Directors. The insurance does not cover liabilities that may arise from criminal actions.

Auditor

In accordance with Section 21 of the Crown Research Institutes Act 1992, the Office of the Auditor General is Auditor for the Company and, pursuant to Section 29 of the Public Finance Act 1977, has appointed Ernst & Young to undertake the audit on its behalf. Auditor remuneration is detailed in Note 4 to the financial statements.

For and on behalf of the Board

Dr Helen Anderson QSO
Chair

Ms Stana Pezic
Director

3 September 2021

Statement of responsibility

The following statement from the Board is made in accordance with Section 155 of the Crown Entities Act 2004:

1. The Board is responsible for the preparation of the annual financial statements and the judgements used in these.
2. The Board is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.
3. In the opinion of the Board, the annual financial statements for the year ended 30 June 2021 fairly reflect the financial position and operations of the New Zealand Forest Research Institute Limited.

For and on behalf of the Board

Dr Helen Anderson QSO
Chair

Ms Stana Pezic
Director

3 September 2021

Performance targets

	Calculation	Actual 2021	Budget 2021	Actual 2020
Efficiency: Operating margin	Earnings Before Interest, Tax, Depreciation, Amortisation and Fair-value (EBITDAF)/Revenue	**19.4%**	11.4%	19.4%
Operating margin per FTE	EBITDAF/FTE	**$36,083**	$19,361	$35,113
Quick ratio	Current assets less inventory less prepayments/Current liabilities less revenue received in advance	**2.12:1**	1.07:1	1.85:1
Interest coverage	EBITDAF/Interest paid	**N/A**	N/A	N/A
Operating margin volatility	Standard deviation of EBITDAF for past five years/Average EBITDAF for the past five years	**35.1%**	22.3%	30.0%
Forecasting risk	Five-year average of return on equity less forecast return on equity	**5.3%**	3.8%	4.3%
Adjusted return on equity	NPAT excluding fair value movements (net of tax)/Average of share capital plus retained earnings	**8.8%**	1.2%	11.8%
Revenue growth	% change in revenue	**5.5%**	(3.9%)	3.5%
Capital renewal	Capital expenditure/Depreciation expense plus amortisation expense	**1.5x**	1.9x	2.4x

Non-financial indicators

Indicator name	Measure	Frequency	2021 Target	2021 Actual
End user collaboration	Revenue per FTE ($) from commercial sources	Quarterly	$53,067	**$69,030**
Research collaboration	Publications with collaborators	Quarterly	≥100	**88**
Technology and knowledge transfer excellence	Commercial reports per scientist FTE	Annually	>1.5	**1.57**
Science quality	Mean citation score	Annually	3.3	**4.27**
Financial indicator	Revenue per FTE ($)	Quarterly	$169,190	**$185,824**
Stakeholder engagement	Percentage of funding partners and other end users (number and percent) that have a high level of confidence that Scion sets research priorities relative to the forest industry and biomaterials sector	Biennial	>85%	**79%**
	Percentage of national and international research providers (%) who have a high level of confidence in Scion's ability to assemble the most appropriate research team	Biennial	>85%	**94%**
	Percentage of relevant end users (%) who have adopted knowledge and/or technology from Scion	Biennial	>90%	**74%**
Māori economic development	Partnerships (number (n) and value ($)) established with Māori entities to support economic development through the forest industry	Quarterly	n>10; >$1.5m	**n = 13 $1.3m**
Accelerated commercialisation	Technologies in Scion's pipeline (number and co-investment ($)); projects that progress to the business case stage (case studies)	Quarterly	25 and $400,000; Cases ≥4	**25 and $378,911* 1**
People and culture	Staff engagement – survey participation	Annual	>75%	**85%**
	Staff retention – staff turnover	Annual	12%	**12.5%**
	Health and safety – serious harm events	Annual	0	**0**
	Staff diversity – percentage of permanent staff of Māori descent	Annual	11.0%	**10.0%**

* One project progressed to Validation (Business Case) stage. Reduced activity through COVID-19.

Audit report

Building a better working world

Independent auditor's report

To the readers of New Zealand Forest Research Institute Limited's Group financial statements for the year ended 30 June 2021

The Auditor-General is the auditor of New Zealand Forest Research Institute Limited group (the Group). The Auditor-General has appointed me, Simon Brotherton, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 22 to 47, that comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Group:

- present fairly, in all material respects:
  - its consolidated financial position as at 30 June 2021; and
  - its consolidated financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 3 September 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

Responsibilities of the auditor for the audit of the consolidated financial statements

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in Parts A and B of the Annual Report, but does not include the financial statements or our auditor's report thereon.

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

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

Independence

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

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

Simon Brotherton
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	ACTUAL 2021 $000	BUDGET (unaudited) 2021 $000	ACTUAL 2020 $000
Revenue	2 (a)	**61,083**	55,353	57,880
Other Income/(Expenditure)	2 (b)	**322**	0	(16)
Expenditure	3 (a)	**(54,767)**	(54,587)	(51,679)
Finance Costs	3 (b)	**(48)**	0	(27)
Share of Profit/(Loss) of Associates		**0**	0	(40)
Profit Before Tax		**6,590**	766	6,118
Tax Expense	9	**(1,905)**	(222)	(755)
Profit for the year after tax		**4,685**	544	5,363
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax				
Remeasurement gain/(loss) on Defined Benefit Plan		**(41)**	0	0
Revaluation of Carbon Units		**226**	0	181
Total other comprehensive income, net of tax		**185**	0	181
Total comprehensive income for the period attributable to the shareholders of the parent company		**4,870**	544	5,544

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Ordinary Shares 2021 $000	Asset Revaluation & Pension Reserve 2021 $000	Retained Earnings 2021 $000	Total 2021 $000	Ordinary Shares 2020 $000	Asset Revaluation & Pension Reserve 2020 $000	Retained Earnings 2020 $000	Total 2020 $000
GROUP									
Balance as at 1 July		**17,516**	**397**	**30,264**	**48,177**	17,516	216	24,901	42,633
Profit for the period		0	0	4,685	4,685	0	0	5,363	5,363
Other comprehensive income		0	185	0	185	0	181	0	181
Total comprehensive income		**0**	**185**	**4,685**	**4,870**	0	181	5,363	5,544
Balance as at 30 June	5	**17,516**	**582**	**34,949**	**53,047**	17,516	397	30,264	48,177

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	ACTUAL 2021 $000	BUDGET (unaudited) 2021 $000	ACTUAL 2020 $000
Equity				
Share capital	5	**17,516**	17,516	17,516
Retained earnings	5	**34,949**	29,364	30,264
Revaluation and pension reserve	5	**582**	216	397
		53,047	47,096	48,177
Non-Current Liabilities				
Provisions	6	**459**	1,266	514
Defined benefit plan	7(a)	**552**	0	690
Deferred tax liability	9(d)	**0**	920	0
Lease liability	10	**328**	0	446
		1,339	2,186	1,650
Current Liabilities				
Trade and other payables	8	**14,983**	10,863	13,202
Provisions	6	**38**	0	49
Defined benefit plan	7(a)	**118**	0	129
Lease liability	10	**140**	0	156
Tax payable		**1,248**	74	1,702
		16,527	10,937	15,238
Total Equity and Liabilities		**70,913**	60,219	65,065
Non-Current Assets				
Property, plant and equipment	11	**44,796**	49,063	42,796
Biological assets	12	**1,391**	1,084	1,069
Intangible assets	13	**915**	487	695
Investments in associates	15	**61**	101	61
Investments at fair value through P&L		**140**	140	140
Right-of-use assets	10	**408**	0	543
Deferred tax asset	9(d)	**117**	0	234
		47,828	50,875	45,538
Current Assets				
Cash and cash equivalents	16	**14,643**	823	12,802
Trade and other receivables	17	**8,106**	8,256	6,487
Inventories	18	**336**	265	238
		23,085	9,344	19,527
Total Assets		**70,913**	60,219	65,065

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 3 September 2021.

Helen Anderson
Chair

Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	ACTUAL 2021 $000	BUDGET (unaudited) 2021 $000	ACTUAL 2020 $000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from customers (excluding government grants)		32,265	26,316	33,914
Receipts from government grants		28,576	28,576	28,523
Interest received		62	28	170
		60,903	54,920	62,607
Cash was applied to:				
Payments to employees		29,810	30,155	28,925
Payments to suppliers		18,549	18,316	16,963
Interest paid		48	22	27
Income tax paid		2,229	1,205	123
		50,636	49,698	46,038
Net cash flows from Operating Activities	20	10,267	5,222	16,569
Cash Flows from Investing Activities				
Cash was provided from:				
Proceeds from sale of fixed assets		0	0	693
Receipts from grants		0	0	2,500
		0	0	3,193
Cash was applied to:				
Purchase of property, plant and equipment		8,257	10,243	12,556
Purchase of intangibles		35	150	37
		8,292	10,393	12,593
Net cash flows used in Investing Activities		(8,292)	(10,393)	(9,400)
Cash Flows from Financing Activities				
Cash was applied to				
Repayment of lease liability		134	134	156
		134	134	156
Net cash flows used in Financing Activities		(134)	(134)	(156)
Net Increase/(Decrease) in Cash Held		1,841	(5,305)	7,013
Add opening cash brought forward		12,802	6,128	5,789
Ending Cash Carried Forward	16	14,643	823	12,802

The accompanying notes form part of these consolidated 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 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, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The consolidated financial statements comply with International Financial Reporting Standards (IFRS).

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c) **Basis of Consolidation (cont.)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Group's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

d) **Associate Companies**

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group deems it has significant influence if it has over 20% of the voting rights.

The reporting dates of the associates and subsidiaries, and the Company, are identical, and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Associate companies have been reflected in the consolidated financial statements on an equity accounting basis which shows the Group's share of profit 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.

e) **Intangible Assets**

Intangible assets acquired separately are capitalised at cost and those acquired 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.

Research costs are not capitalised and expenditure is charged to profit and loss in the year in which the expenditure is incurred. Other intangible assets are capitalised where they meet the relevant criteria and include the purchase price and any directly attributable cost of preparing the asset for its intended use.

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.

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.

Gains or losses arising from de-recognition 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.

Software

A summary of the policies applied to the Group's capitalised software 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

Carbon Credits

New Zealand emission reduction units (NZUs) 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 NZUs arises when the Group is entitled to claim the NZUs from the government.

NZUs are initially measured at fair value on entitlement as an intangible asset unless the Board has determined they are held for sale, in which case they would be recorded at fair value as inventory.

e) **Intangible Assets (cont.)**

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 NZUs. NZUs determined as held for sale at recognition and recorded as inventory, are subsequently measured at the lower of cost 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.

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 initially recorded at cost, where relevant on purchase from the Crown as at 1 July 1992, adjusted for subsequent additions at cost, disposals, depreciation and impairment. Plant and equipment are recorded at cost less accumulated depreciation less accumulated impairment losses (if any). 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.

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	20–60 years
Plant and Equipment	3–20 years
Furniture and Fittings	10–20 years
Motor Vehicles	3–7 years
Library Books and Periodicals	20 years or longer

h) **Recoverable Amount of Non-Financial Assets**

At each reporting date, the Group assesses whether there is any indication a non-financial 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 classified as financial assets at amortised costs. Trade receivables are initially recognised at fair value and subsequently valued at amortised cost less impairment allowance.

The Group applies a simplified approach in calculating expected credit losses (ECLs) for trade receivables, i.e. a loss allowance for trade receivables is based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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**

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 Consolidated Statement of Financial Position date using a discounted cash flow methodology.

m) **Employee Benefits**

(i) Wages, Salaries and Annual Leave

The liability for wages, salaries and annual leave recognised in the Consolidated 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.

(ii) Long Service Leave

The liability for long service leave (which includes service recognition 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 through other comprehensive income in the period in which they arise.

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

Long service leave and defined benefit plan provisions are based on an actuarial valuation.

n) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Building	3 to 6 years
Forestry Rights	70 years

(ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of temporary buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis 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

o) Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in-hand and short-term deposits with an original maturity of three months or less or greater than three months with no significant risk of a change in value from an early withdrawal.

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

p) Goods and Services Tax (GST)

All items in the financial statements are stated net of GST, with the exception of trade receivables and payables, which are inclusive of GST invoiced.

q) 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 Consolidated 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.

r) Revenue Recognition

Revenue from contracts with customers

Research revenue
Research revenue from both Government and commercial sources is recognised over time using an input method to measure progress toward complete satisfaction of the service, because the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised by reference to costs incurred to date 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.

Government revenue under research revenue includes non-devolved revenue received from the Ministry of Business, Innovation and Employment in the form of Endeavour Funding, and Preseed Accelerator Fund programmes.

Sale of goods and rendering services (Fee for services)
Revenue from work programmes under Commercial Testing Services and Nursery crops is recognised at the point of time when control is transferred to the customer, generally on dispatch of crops to the customer or when service is completed.

Other revenue

Government grants
Government grants includes devolved revenue from the Ministry of Business, Innovation and Employment in the form of Strategic Science Investment Funding and COVID-19 Response and Recovery Funding. Government grant revenue is only recognised after all appropriate conditions have been met.

Rent revenue
Rent revenue is recognised on a straight line basis over the lease term.

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

s) Taxation

The income tax expense charged to the profit and loss includes both the current year's provision and the income tax effects of temporary differences calculated using the liability method. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

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.

t) Trade and Other Payables

Trade and other payables are classified as financial liabilities at amortised costs. They 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.

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), the revenue in advance (Note 8) and accrued revenue (Note 17).

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. Details of heritage assets can be found in Note 11 and 22.

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 Accounting Standards Issued but not yet Effective

The following standards that have been issued but not yet effective and have not been earlier adopted by the Group and may have an impact on the Group's financial statements:

	Date Applicable for Scion
• NZ IAS 1 Classification of Liabilities as Current or Non-current	1 July 2023

There are no amendments to standards that affect Scion's Consolidated Financial Statements.

1.4 New Accounting Standards and Amendments

There are no new accounting standards or amendments adopted this financial year.

		ACTUAL 2021 $000	ACTUAL 2020 $000
2.	**Revenue and Other Income**		
	(a) Revenue		
	Revenue from research contracts		
	Ministry of Business, Innovation and Employment revenue	9,844	9,062
	Other Government and Crown Research Institute revenue	8,854	7,587
	Commercial research revenue	12,701	11,661
		31,399	28,310
	Government grants		
	Strategic Science Investment Fund	23,786	23,733
	COVID Response and Recovery Fund	4,790	4,790
		28,576	28,523
	Other Revenue		
	Commercial lease revenue	1,017	920
	Interest revenue	77	99
	Other revenue	14	28
		1,108	1,047
	Total Revenue	61,083	57,880
	(b) Other Income/(Expenditure)		
	Change in fair value of plantation trees	322	(16)
		322	(16)
3.	**Expenditure and Finance Costs**		
	(a) Expenditure		
	Personnel remuneration and expenses	29,540	29,589
	Other personnel related costs	631	415
	Contractors and subcontractors	13,312	11,259
	Consumables	1,409	1,394
	Travel and accommodation	760	1,237
	Rental and equipment hire costs	145	154
	Depreciation on leases	135	134
	Depreciation	5,446	4,960
	Amortisation	41	85
	(Gain)/loss on disposal of fixed assets	22	(693)
	Impairment of assets	0	75
	Premises	2,427	2,287
	Directors' fees	241	222
	Other	658	561
		54,767	51,679
	(b) Finance Costs		
	IRD use of money interest	26	0
	Lease interest	22	27
		48	27
4.	**Auditor's Remuneration**		
	Amounts paid or due and payable to the auditors for:		
	Auditing financial statements		
	Parent entity auditor	101	157
		101	157

5. Equity

New Zealand Forest Research Institute Limited has authorised, issued and paid up capital of 17,516,000 (2020: 17,516,000) ordinary shares. 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.

No dividends were declared or paid to shareholders during the year (2020: $0).

The Asset Revaluation and Pension Reserve is used to record increments and decrements in the fair value of heritage assets, fair value movement in revaluation of carbon units and remeasurement of defined benefit plan liabilities. Movements in the asset revaluation and pension reserve are not reclassified to the profit and loss in subsequent periods.

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, any 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 and restructuring. The long service leave provision was actuarially valued by Aon Hewitt Consulting, an independent risk management and consulting organisation.

The provisions are made up as follows:

	ACTUAL 2021 $000	ACTUAL 2020 $000
Current Provision	73	49
Non-Current Provision	459	514
	532	563

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

	Long Service Leave 2021 $000	Restructuring 2021 $000	TOTAL 2021 $000	Long Service Leave 2020 $000	Restructuring 2020 $000	TOTAL 2020 $000
Balance 1 July	563	0	563	536	0	536
Provision reversed during the year	0	0	0	0	0	0
Amounts used during the year	(82)	0	(82)	(67)	0	(67)
Provisions made during the year	16	35	51	94	0	94
Balance 30 June	497	35	532	563	0	563

7. Pension Plans

a) Defined Benefit Plan

Scion operates an unfunded final salary defined benefit plan. The level of benefits provided depends on the member's length of service and salary at retirement age. The plan is closed to new members and will cease when the current six 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 in profit or loss.

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

	ACTUAL 2021 $000	ACTUAL 2020 $000
Net plan expense		
Current service cost	18	23
Interest cost on benefit obligation	12	20
Net actuarial gains recognised in the year	(56)	0
Net plan expense/(income)	(26)	43

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

	Defined Benefit Plan				
	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
Benefit liability included in the Consolidated Statement of Financial Position					
Present value of defined benefit obligation	670	819	838	941	934

	ACTUAL 2021 $000	ACTUAL 2020 $000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	819	838
Current service cost	18	23
Interest cost	12	20
Actuarial gains recognised in the year	(56)	0
Benefits paid	(123)	(62)
Closing balance	670	819
Current provision	118	129
Non-current provision	552	690
	670	819

7. **Pension Plans (cont.)**

a) Defined Benefit Plan (cont.)

The history of experience adjustments is as follows:

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
Experience adjustments on plan liabilities	(27)	(20)	(6)	(22)	(80)

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

	2021 $000	2020 $000
Discount rate	3.12%	1.47%
Future salary increases	2.00%	2.60%

At 30 June a change in the assumed rates of salary growth and resignation rates, all other assumptions remaining unchanged, would affect the balance of the liability as follows:

	ACTUAL 2021 $000	ACTUAL 2020 $000
Current obligation	670	819
Salary growth		
Reduction of 1% per annum	637	776
Increase of 1% per annum	705	866
Resignation rates		
150% of assumed rates	670	819
50% of assumed rates	670	819

Interest rate assumptions are based on Treasury's published risk-free discount rates.

b) Defined Contribution Plan

During the period defined contributions totalling $789k (2020: $771k) were made to the Government Superannuation Fund and KiwiSaver.

	ACTUAL 2021 $000	ACTUAL 2020 $000
8. Trade and Other Liabilities		
Trade payables	5,628	4,883
Employee payables and accruals	2,975	2,975
Revenue in advance	6,380	5,344
	14,983	13,202

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.

Revenue in advance includes advances received to 30 June each year. Total revenue recognised during the year that was in Revenue in Advance at the start of the year totals $5,344k (2020: $2,636k).

	ACTUAL 2021 $000	ACTUAL 2020 $000
9. Income Tax		
(a) Income Tax Expense		
The major components of income tax expense in the Consolidated Statement of Comprehensive Income are:		
Current income tax		
Current income tax charge	1,741	1,913
Adjustments to prior year current income tax charge	(21)	96
	1,720	2,009
Deferred income tax		
Deferred tax expenses/(income) related to prior year	53	(54)
Relating to origination and reversal of temporary differences	29	(392)
Impact of changes to building depreciation	88	(808)
	170	(1,254)
Income tax expense/(income) reported in the Consolidated Statement of Comprehensive Income	1,890	755
(b) Amounts charged or credited directly to other comprehensive income		
Deferred income tax related to items charged (credited) directly to other comprehensive income		
Net gain on revaluation of heritage assets	0	0
Remeasurement of gain/loss on defined benefit plan	(15)	0
Deferred tax charged to OCI	(15)	0
(c) Reconciliation between the aggregate tax expense recognised in the Consolidated Statement of Comprehensive Income to tax expense calculated at the statutory income tax rate		
Accounting profit before income tax	6,590	6,118
Tax at the statutory income tax rate of 28% (2020: 28%)	1,845	1,713
Adjusted by:		
Prior year income tax	33	(3)
Entertainment	10	8
Impact of changes to building depreciation	88	(808)
Other	(71)	(155)
Income tax expense	1,905	755
(d) Deferred income tax relates to the following:		
Deferred tax liabilities		
Property, plant and equipment	(436)	(533)
Leases	17	0
Nursery inventory	(86)	(60)
Standing timber	(389)	(299)
	(894)	(892)
Deferred tax assets		
Patents and trademarks	191	240
Payroll provisions	790	867
Allowance for impairment loss	8	15
Other	22	4
	1,011	1,126
Net Deferred Tax Asset/(Liability) per Consolidated Statement of Financial Position	117	234

The Group has no unused tax losses (2020: $0k)

10. Leases

Group as a Lessee

The Group has lease contracts for buildings in Christchurch and Wellington plus Forestry rights in Puruki. The building leases are for terms of 3 to 6 years with the Forestry rights being for a period of 70 years. The Group obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts include extension and termination options.

Set out below are the carrying amounts of right-of-use assets recognised and the movement during the period:

	Building $000	Forestry Rights $000	Total $000
As at 1 July 2019 (restated)	568	110	678
Additions	0	0	0
Depreciation expense	(132)	(3)	(135)
As at 30 June 2020	436	107	543
Additions	0	0	0
Depreciation expense	(132)	(3)	(135)
As at 30 June 2021	304	104	408

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	ACTUAL 2021 $000	ACTUAL 2020 $000
As at 1 July	602	731
Additions	0	0
Accretion of interest	22	27
Payments	(156)	(156)
As at 30 June	468	602
Current	140	156
Non-Current	328	446
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use assets	135	135
Interest expense on lease liabilities	22	27
Variable lease payments (included in Other Expenditure)	38	40
Total Amount recognised in profit or loss	195	202

The Group had total cash outflow for leases of $194k in 2021 (2020: $197k).

11. 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 2020								
Carrying amount net of accumulated depreciation and impairment at 1 July 2020	**1,501**	**12,191**	**13,808**	**4,001**	**394**	**102**	**10,799**	**42,796**
Additions	0	1,449	1,921	1,013	307	0	2,934	7,624
Transfers from CWIP	0	5,895	2,566	2,144	0	0	(10,605)	0
Disposals	(0)	0	(22)	0	(157)	0	0	(179)
Impairment provision	0	0	0	0	0	0	0	0
Depreciation expensed	(59)	(877)	(3,754)	(651)	(103)	(1)	0	(5,445)
Carrying amount net of accumulated depreciation and impairment at 30 June 2021	**1,442**	**18,658**	**14,519**	**6,507**	**441**	**101**	**3,128**	**44,796**
At 30 June 2021								
Cost or fair value	2,244	31,717	55,238	8,952	1,109	106	3,128	102,494
Accumulated depreciation and impairment	(802)	(13,059)	(40,719)	(2,445)	(668)	(5)	0	(57,698)
Net carrying amount	**1,442**	**18,658**	**14,519**	**6,507**	**441**	**101**	**3,128**	**44,796**

Books and periodicals include some library books classified as Heritage Assets. Last year 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 2020. Refer to Note 22 regarding other heritage assets.

Scion recognised an impairment loss of $nil on Buildings which currently are vacant and not in a usable state (2020: $74k). Scion also re-assessed the economic useful life of a number of buildings that were identified to be partly or wholly demolished as part of its campus development plans and accordingly accelerated depreciation on the buildings.

11. Property, Plant and Equipment (cont.)

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 2019								
Carrying amount net of accumulated depreciation and impairment at 1 July 2019	**1,675**	**12,263**	**12,032**	**4,246**	**302**	**104**	**7,692**	**38,314**
Additions	0	294	3,885	314	168	0	5,268	9,929
Transfers from CWIP	0	549	1,577	0	22	0	(2,148)	0
Disposals	(113)	(40)	(162)	(66)	(18)	0	(13)	(412)
Impairment provision	0	(75)	0	0	0	0	0	(75)
Depreciation expensed	(61)	(800)	(3,524)	(493)	(80)	(2)	0	(4,960)
Carrying amount net of accumulated depreciation and impairment at 30 June 2020	**1,501**	**12,191**	**13,808**	**4,001**	**394**	**102**	**10,799**	**42,796**
At 30 June 2019								
Cost or fair value	2,357	24,072	48,266	5,750	1,039	107	7,692	89,281
Accumulated depreciation and impairment	(682)	(11,809)	(36,234)	(1,504)	(737)	(3)	0	(50,967)
Net carrying amount	**1,675**	**12,263**	**12,032**	**4,246**	**302**	**104**	**7,692**	**38,314**
At 30 June 2020								
Cost or fair value	2,244	24,859	52,644	5,979	1,067	106	10,799	97,698
Accumulated depreciation and impairment	(743)	(12,668)	(38,836)	(1,978)	(673)	(4)	0	(54,902)
Net carrying amount	**1,501**	**12,191**	**13,808**	**4,001**	**394**	**102**	**10,799**	**42,796**

12. Biological Assets

Biological assets consist of tree plantations. The Group has 65.5 hectares of trees planted initially for experimental purposes. When experiments are completed, they are classified as biological assets. Trees will be harvested when they reach maturity.

	ACTUAL 2021 $000	ACTUAL 2020 $000
Carrying amount 1 July	1,069	1,095
Sale of Trees	0	(10)
(Loss)/Gain from changes in fair value less estimated point-of-sale costs	322	(16)
Carrying amount 30 June	1,391	1,069

The above biological assets are level 3 in the fair value hierarchy.

The Group has tree plantations at two 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) 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.

During the year ended 30 June 2020 the property at Tikokino which includes 5.5 hectares of Mexican Cypress trees on the property were sold.

The tree plantations were valued as at 30 June 2021 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.

Fair value is sensitive primarily to log prices. Significant increase (decreases) in log prices would result in a significantly higher (lower) fair value.

13. Intangible Assets

	ACTUAL 2021 $000	ACTUAL 2020 $000
Software		
Opening balance 1 July		
At cost	2,443	2,454
Less accumulated amortisation	(2,374)	(2,335)
Opening net carrying amount 1 July	69	119
Opening carrying amount 1 July	69	119
Additions	35	39
Disposals	0	0
Current year amortisation	(41)	(89)
Amortisation write back	0	0
Closing carrying amount 30 June	63	69
Closing balance 30 June		
At cost	2,348	2,443
Less accumulated amortisation	(2,285)	(2,374)
Closing net carrying amount 30 June	63	69
Carbon Credits		
Carrying amount 1 July	626	445
Increase/(Decrease) in fair value	226	181
Carrying amount 30 June	852	626
Total intangible assets 30 June	915	695

14. Investments in Subsidiaries

	Shares	Percentage Held 2021	Percentage Held 2020	Balance Date
Subsidiaries				
Te Papa Tipu Properties Limited	100	100%	100%	30 June
Sala Street Holdings Limited	100	100%	100%	30 June

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

Sala Street Holdings Limited was incorporated on 9 November 2015. The company holds the Groups 50% investment in Scion Terax technologies.

All subsidiaries are incorporated in New Zealand.

15. Investments in Associates

	ACTUAL 2021 $000	ACTUAL 2020 $000
Biopolymer Network Limited *	0	0
Terax 2013 Limited	0	0
Terax Limited Partnership	61	61
	61	61

* During the year ended 30 June 2020 New Zealand Forest Research Institute Limited's shareholding in Biopolymer Network Limited decreased from 33.33% to 14.56%. As a result, New Zealand Forest Research Institute Limited's investment in Biopolymer Network Limited has been reclassified from Investment in Associates to Investment at Fair Value through P&L. This can be seen on the face of the Statement of Financial Position

New Zealand Forest Research Institute Limited Group has a 50% shareholding in Terax 2013 Limited. The company was incorporated in February 2012. Terax 2013 Limited manages Terax Limited Partnership in which Scion Group also has a 50% interest. Terax Limited Partnership was registered on 8 April 2013. Terax 2013 Limited was removed from the Companies Office register on 10 August 2021 and Terax Limited Partnership is in the process of voluntary liquidation.

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

All of the companies are incorporated in New Zealand.

16. Cash and Cash Equivalents

	ACTUAL 2021 $000	ACTUAL 2020 $000
Cash on hand	6	6
Bank	1	1
Call deposits	9,069	4,025
Short-term deposits	5,567	8,770
	14,643	12,802

	ACTUAL 2021 $000	ACTUAL 2020 $000
17. Trade and Other Receivables and Accrued Revenue		
Trade receivables	5,435	4,839
Allowance for impairment loss	(28)	(54)
Other debtors	25	11
Prepayments	1,282	979
Accrued revenue	1,412	710
Related party receivables:		
Associates	(20)	2
Carrying amount 30 June	8,106	6,487

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

(b) Accrued revenue is initially recognised for revenue earned from research projects as receipt of consideration is conditional on successful completion of projects. Upon completion of the project, the amounts recognised as accrued revenue are reclassified to trade receivables.

(c) Trade receivables are non-interest bearing and are generally on 30–60-day terms.

At 30 June, 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
2021	5,416	5,207	0	88	0	9	0	84	28
2020	4,788	4,529	0	56	0	106	0	43	54

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

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

	ACTUAL 2021 $000	ACTUAL 2020 $000
18. Inventories		
Consumable stores (at cost)	27	22
Nursery stock	309	216
Closing carrying amount	336	238

Consumable stores recognised as an expense for the year are $100k (2020: $91k). The expense has been included in the "consumables" line item in Note 3 (a). Consumable inventory write-down in the period was $0k (2020: $0k).

19. Financial Instruments

Financial Instruments include:

Financial Assets at amortised costs
Cash and cash equivalents
Trade receivables
Other debtors
Related party receivables

Financial Liabilities at amortised costs
Trade payables
Other payables
Related party payables

All the above financial instruments are measured at amortised cost. Due to their short-term nature their carrying amount is a reasonable approximation of their fair value.

Management have not identified any concentrations of risk for any of the below risk categories.

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 monitors, on a monthly basis, our free capacity within the debt facility and our forecasted ability to pay for that debt.

Trade payables ($2,404k) are non-interest bearing and are normally settled within 60 days. Other than lease liability which extends up to 46 years remaining, the 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.

Significant new non-Government customers are credit checked. Trade receivable ageing is reviewed monthly and all aged trade receivables are followed up. Credit stops are used for non-paying customers.

Maximum exposures to credit risk as at balance date are:

	ACTUAL 2021 $000	ACTUAL 2020 $000
Current account	1	1
Call and short-term deposits	14,636	12,795
Trade receivables	5,407	4,785
Other debtors	25	11
Related party receivables	(20)	2

The above maximum exposures are net of any provision for impairment 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 cash deposits.

	ACTUAL 2021 $000	ACTUAL 2020 $000
Cash in hand	6	6
Current account	1	1
Call deposits	9,069	4,025
Short-term deposits	5,567	8,770
	14,643	12,802

19. **Financial Instruments (cont.)**

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 30 June 2021 bank call and short-term deposits were earning interest at rates between 0.85% and 0.95% (2020: 1.35% and 1.75%).

At 30 June 2021, 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:

Judgement of reasonably possible movements in interest rates	2021 Change in Interest Rate	2021 Effect on Post Tax Profit & Equity $000	2020 Change in Interest Rate	2020 Effect on Post Tax Profit & Equity $000
	+1%	105	+1%	92
	-1%	-105	-1%	(92)

Currency Risk

Only small cash balances are held in currencies other than New Zealand dollars. There is limited exposure to trade receivables and payables. Collection and payment on all these balances are expected within 30 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.

	ACTUAL 2021 $000	ACTUAL 2020 $000
20. Reconciliation of operating profit after taxation with cash flows from operating activities		
Reported profit/(loss) after taxation	4,685	5,363
Add/(less) non-cash items:		
Depreciation	5,446	4,960
Amortisation	41	85
Impairment provision	0	75
Provision for doubtful debts	(26)	27
Movement on lease liability	134	156
Movement in deferred tax	117	(1,154)
	5,712	4,149
Add/(less) items classified as investing activity:		
(Gain)/loss on disposal of property, plant and equipment	22	(693)
Share in associate company (profit)/loss	0	40
Capital related items in creditors	788	551
Fair value movement in biological assets	(322)	(181)
	488	(283)
Movements in working capital items:		
(Increase)/Decrease in debtors and prepayments	(1,621)	3,147
(Increase)/Decrease in inventories	(97)	98
Increase/(Decrease) in creditors and accruals	1,554	2,313
Increase/(Decrease) in taxation payable	(454)	1,782
	(618)	7,340
Net cash flows from operating activities	10,267	16,569

21. 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.

22. 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 books and periodicals within the library refer to Note 11.

23. Commitments

Operating Lease – Group as Lessor:

The Group has entered into commercial property leases for buildings and land. These non-cancellable leases have remaining terms including rights to renew of up to 5 years on buildings and 13 years on land leases, with rights to renew for further 40 years. All leases include a clause to enable upward revision of the rental charge at a specified review date of between one and five years according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	ACTUAL 2021 $000	ACTUAL 2020 $000
Within one year	404	379
One to five years	864	668
Greater than five years	1,284	455
	2,552	1,502

Capital Commitments

Capital expenditure contracted for at balance date but not provided for	477	692

24. Transactions with Related Parties

(a) Group

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 on normal terms between government agencies. Government Endeavour Funding, Strategic Science Investment Funding and Preseed Accelerator funding from the Ministry of Business, Innovation and Employment comprises of 65% of research revenue earned by Scion and is disclosed in Note 2 (a).

	ACTUAL 2021 $000	ACTUAL 2020 $000
(b) Associates and Investments of Parent		
Biopolymer Network Ltd		
Supplied goods and services	66	296
Receivable at balance date	8	2

24. Transactions with Related Parties (cont.)

(c) Other

The Group has transactions with other parties that are related by virtue of the relationship Scion directors have with that other party, but these relationships do not alter the nature and amount of those transactions. These relationships and transactions are summarised below where annual transactions with a given related party in either FY21 or FY20 are greater than $100k.

Dr Helen Anderson, the Chair of New Zealand Forest Research Institute Limited, was a director of NIWA until 30 June 2021.

Dr Jon Ryder, the Deputy Chair of New Zealand Forest Research Institute Limited, is CEO of Oji Fibre Solutions.

i) NIWA

Scion provided services during the period totalling $281k (2020: $90k) and received services totalling $1,398k (2020: $698k). The amount receivable at year end was $53k (2020: $32k).

ii) Oji Fibre Solutions

Scion provided services during the period totalling $319k (2020: $315k) and received services totalling nil (2020: $4k). The amount receivable at year end was $84k (2020 $44k).

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 (2020: $0k) and no impairment allowance has been raised for any of these debts.

	ACTUAL 2021 $000	ACTUAL 2020 $000
(d) Key Management Personnel		
Short term employee benefits	2,503	2,367
KiwiSaver employee benefits	60	55
	2,563	2,422

Directory

DIRECTORS

Dr Helen Anderson QSO (Chair)
Mr Greg Mann
Ms Colleen Neville (retired 30 June 2021)
Dr Barry O'Neil (retired 30 June 2021)
Ms Stana Pezic
Dr Jon Ryder (Deputy Chair)
Mr Steve Wilson

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EXECUTIVE MANAGEMENT

Dr Julian Elder	Chief Executive Officer
Dr Florian Graichen	General Manager, Forests to Biobased Products
Dr Roger Hellens	General Manager, Forests to Timber Products (commenced 20 July 2020)
Dr Tara Strand	General Manager, Forests and Landscapes
Mr Arron Judson	General Manager, Marketing and Partnerships
Mr Hēmi Rolleston	General Manager, Te Ao Māori and Science Services
Mr Cameron Lucich	General Manager, People, Culture and Safety
Ms Sharon Cresswell	Acting General Manager, Finance and Corporate Services (commenced 18 January 2021)

BANKERS:	ANZ Bank of New Zealand Limited
AUDITORS:	Ernst & Young, Auckland on behalf of the Auditor-General
SOLICITORS:	Bell Gully, Auckland

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SCION™

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