

# Report of the Directors to the Shareholders



*NIWA Board: (left to right) (front) Troy Newton, Sue Suckling (Chair), John Spencer, Miranda Cassidy; (back) Graham Hill, David Sharp, Carolyn Burns, John Hercus.*

## Directors' profiles

**Sue Suckling** (*Chair*), OBE, BTech (Hons), MTech, is a Christchurch-based director and consultant. She is Chair of Agriquality New Zealand Ltd and a director of several other private companies, including WestpacTrust Investments Ltd. Previously, she was Deputy Chair of the Institute of Geological and Nuclear Sciences Ltd. Sue Suckling was appointed NIWA Chair in July 2001.

**Professor Carolyn Burns** is Head of the Department of Zoology at the University of Otago and a distinguished limnologist. She holds a doctorate from the University of Toronto, was awarded the CBE in 1984, and is a Fellow of the Royal Society of New Zealand. She has held visiting research professorships in US universities and was a research scientist at the Max-Planck Institute for Limnology. In 1999 she was honoured with the University of Canterbury Distinguished Alumni Award.

**Miranda Cassidy**, BA in sociology, MSc (Hons) in resource management, is an Auckland-based company director, consultant, trainer, and professional speaker. She is a former customary fisheries manager of Ngai Tahu Development Corporation and is currently director of FOLKUS Ltd, an environmental consulting company, and Futures by Design Ltd, a provider of training programmes using neurolinguistic techniques.

**John Hercus** has an MSc in physics from Victoria University and has been a leading figure in polytechnic, technology, and science education, serving as Director of the Christchurch Polytechnic from 1974 to 1993. He has worked with the UN Development Programme in higher education and training, and on projects with UNESCO and the Asian Development Bank. He has held directorates with several companies involved in international education and technology development.

**Dr Graham Hill** is an astronomer and astrophysicist currently lecturing at the University of Auckland and the Auckland University of Technology. From 1967 to 1996 he was a research scientist at the National Research Council of Canada – Dominion Astrophysical Observatory in Victoria, BC, and has also been a scientific computer software consultant for several overseas universities since 1990. He is an invited member of the International Astronomical Union and holds a PhD in astronomy from the University of Texas, an MA from the University of Minnesota, and a BSc from the University of Auckland. He is a Director of the Meteorological Service of New Zealand.

**Troy Newton** is a Director of KPMG Corporate Finance, where he advises clients on mergers and acquisitions, valuation, regulatory reform, and financing matters in New Zealand, Australia, and the Pacific Rim. He is a chartered accountant and was a Director of Industrial Research Limited from 1997 until September 2002 and Acting Chief Executive pending the arrival of the new CE. He has particular industry experience in telecommunications, information technology, and energy and transport operations.

**David Sharp**, BSc, is Chairman of the New Zealand Seafood Industry Council, and holds a number of other positions in the seafood industry. He was previously executive director of a major New Zealand primary produce exporting and seafood company.

**John Spencer** is the Chairman of Tainui Group Holdings Ltd. He was the Chief Executive of New Zealand Dairy Group prior to the formation of Fonterra, and he has held a number of senior management positions in New Zealand and overseas. A Fellow of the Institute of Chartered Accountants, he is Deputy Chairman of the Accounting Standards Review Board and a trustee of Workbase, the national centre for literacy.

# Report of the Directors to the Shareholders

The Directors take pleasure in presenting the National Institute of Water & Atmospheric Research Ltd (NIWA) and Group Annual Report for the financial year ended 30 June 2003.

## Business activities

The NIWA Group provided scientific research and consultancy services in New Zealand and overseas during the financial year. In New Zealand, services were provided to the Foundation for Research, Science & Technology, the Ministry of Fisheries, and a range of other public and private sector customers. Internationally, services were provided by NIWA and its subsidiaries to public and private sector customers in the USA, Australia, and elsewhere.

## Results

This financial year the NIWA Group has exceeded its Business Plan objectives with a net surplus of \$4.7 million (2002: \$4.7 million) against a budgeted net surplus of \$4.3 million. This was achieved on a turnover of \$84.2 million (2002: \$81.3 million), against budgeted revenue of \$84.1 million.

Shareholders' equity at 30 June 2003 totalled \$46.7 million (2002: \$42.1 million), an increase of 10.9%. Total assets increased 5.8% to \$66.7 million (2002: \$63.0 million).

## Donations

No donations were made during the year.

## Dividends

No dividend was declared or paid during the year.

## Directors

The appointment of John Spencer on 16 June 2003 was the only change to Directors during the year.

## Remuneration of Directors

Directors' remuneration received, or due and receivable during the year, is as follows:

	2003 \$'000	Parent	2002 \$'000
<i>Directors of the National Institute of Water &amp; Atmospheric Research Ltd and NIWA Vessel Management Ltd</i>			
S H Suckling (Chair)	42		42
C W Burns	21		18
M K Cassidy	21		20
J D Hercus	21		24
G Hill	21		1
T W Newton	27		–
D C Sharp	21		20
<i>New appointees during the 30 June 2003 year</i>			
J Spencer	–		–
<i>Retired during the 30 June 2002 year</i>			
P T Morgan (Deputy Chair)	–		28
P A Nicholas	–		17
B L Rhoades	–		9

No fees were paid in respect of directors of the subsidiaries NIWA Vessel Management Ltd, NIWA Environmental Research Institute, NIWA (USA), Incorporated, and NIWA Australia Pty Ltd.

## Remuneration of employees

The numbers of employees (not including Directors) whose remuneration exceeded \$100,000 is as follows:

\$	2003	Group	2002
100,000–109,999	8		6
110,000–119,999	10		7
120,000–129,999*	3		–
130,000–139,999	2		2
140,000–149,999*	3		–
150,000–159,999*	5		2
160,000–169,999	1		3
170,000–179,999	2		–
180,000–189,999	1		–
190,000–199,999*	1		–
220,000–229,999	–		1
240,000–249,999	–		1
250,000–259,999	–		1
280,000–289,999**	1		–

\* Includes individuals who have received redundancy packages in 2003

\*\* Chief Executive's remuneration band

The redundancy provisions, which include retirement leave and severance, were calculated in accordance with Clause 31 of the NIWA Collective Employment Agreement in force from 1 July 2001 to 1 July 2004.

## Auditors

In accordance with Section 21(1) of the Crown Research Institutes Act 1992, the auditors, Deloitte Touche Tohmatsu on behalf of the Auditor-General, continue in office. Their audit remuneration and fees paid for other services are detailed in note 4 of the 'Notes to the Group Financial Statements'.

## Interests Register

The following are transactions recorded in the Interests Register for the year.

## Parent and Subsidiary Companies

### Interested Transactions

Any business the NIWA Group has transacted with organisations in which a director has an interest has been carried out on a commercial 'arms-length' basis.

### Directors' Remuneration

Details of the Directors' remuneration are provided in the Remuneration of Directors section.

### Use of Company Information by Directors

Pursuant to section 145 of the Companies Act 1993 there were no recorded notices from Directors requesting to use company information received in their capacity as Directors that would not otherwise have been available to them.

### Share dealings

During the year no Directors purchased or disposed of any equity securities of the NIWA Group.

### Directors' Loans

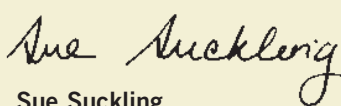
There were no loans by the NIWA Group to any Directors.

### Directors' Insurance

The NIWA Group has arranged policies for Director's Liability Insurance which, with a Deed of Indemnity, ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded; for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

The Directors are pleased with the state of affairs of the NIWA Group.

For and on behalf of the Board:



**Sue Suckling**  
Chair

3 September 2003



**Troy Newton**  
Director

## Corporate Governance Statement

The Board of Directors of the National Institute of Water & Atmospheric Research Ltd (NIWA) is appointed by the shareholding Ministers to guide and monitor the business of NIWA and its subsidiaries NIWA Vessel Management Ltd, NIWA Environmental Research Institute, NIWA (USA), Incorporated, and NIWA Australia Pty Ltd, which constitute the NIWA Group.

The Board comprised up to eight Directors (including the Chair) during the financial year ended 30 June 2003 and formally met ten times during that period.

Responsibility for the management and administration of the Group is delegated to the Chief Executive, who is responsible to the Board.

The Board has an Audit committee. During the financial year, the Audit Committee comprised all members of the Board and met formally twice.

The function of the Audit Committee is to assist the Board in carrying out its responsibilities under the Crown Research Institutes Act 1992, the Public Finance Act 1989, the Companies Act 1993, and the Financial Reporting Act 1993 in respect of the Group financial accounting practices, policies, and controls and to review and make appropriate enquiry into the audits of the Group Financial Statements by both internal and external auditors.

## Statement of Management Responsibility

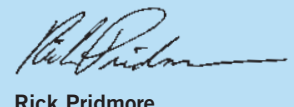
The following statement is made in accordance with Section 42 of the Public Finance Act (1989):

1. The management of the company is responsible for the preparation of these Financial Statements and the judgements used therein.
2. Internal control procedures are considered to be sufficient to provide reasonable assurance as to the integrity and reliability of these Financial Statements.
3. In the opinion of management, these Financial Statements fairly reflect the financial performance, movements in equity, financial position, and cash flows of the National Institute of Water & Atmospheric Research Ltd and Group for the year ended 30 June 2003.



**Sue Suckling**  
Chair

3 September 2003



**Rick Pridmore**  
Chief Executive