NIWA
Taihoro Nukurangi

# NIWA Group Half Yearly Report

for the six months ended 31 December 2012

enhancing the benefits of New Zealand's natural resources

# Half Yearly Report For The
# Six Months Ended 31 December 2012

## Overview

NIWA is on target to achieve its 2012/13 budget across each of its key financial ratios. At the half year stage, revenue, profit and cash flow are all close to or better than budget.

All science objectives as outlined in the 2012/13 Statement of Corporate Intent are on track, and excellent progress has been made with the implementation of initiatives to improve NIWA's operational efficiency and effectiveness.

An ongoing focus on collaborating with other science providers has strengthened NIWA's research capability and supported the application of NIWA's science to industry and government agencies, as illustrated below. NIWA has also continued to play a key role in providing advice to a number of prominent organisations, including the Land and Water Forum and the Hauraki Gulf Forum.

## Financial Results

NIWA's turnover at $52.124 million was in line with budgeted revenue of $52.425 million. An after taxation deficit of $1.737 million was better than budget by $0.751 million.

Good progress has been made in securing additional revenue to meet the full year budget, which we continue to monitor closely as we head into the second half of the year. Whilst revenue to date is in line with budget, it is $6.008 million lower than last year, primarily due to the timing of certain projects and a one-off benefit to revenue last year of $1.5 million.

On the expenses side, depreciation last year was significantly lower, due to a one-off favourable adjustment of $3.319 million following the re-estimation of the useful life of certain assets, resulting in a reduced depreciation charge. Despite this, total costs in the first half of this year are still below the same period last year.

The net debt position continues to be managed down, with the net bank balance at 31 December 2012 being ($2.599 million), compared with opening debt for the period of ($4.720 million).

Overall, NIWA is on target to achieve annual budget across each of its key financial ratios.

**Financial KPIs**

All NIWA's financial KPIs are in line with or exceed budget as detailed in its Statement of Corporate Intent (SCI), as illustrated in the table below.

| | Actual YTD | SCI YTD | SCI Full Year |
|---|---|---|---|
| **Revenue** ($000s) | 52,124 | 52,425 | 120,363 |
| **Liquidity** | | | |
| Current Ratio | 0.98 | 0.87 | 1.03 |
| Quick Ratio (aka. Acid test) | 1.13 | 0.99 | 1.39 |
| **Profitability** | | | |
| Adjusted Return on Equity* | -2.4% | -3.5% | 5.6% |
| Return on Equity | -1.8% | -2.6% | 4.2% |
| Return on Assets | -1.7% | -2.4% | 4.7% |
| EBIT Margin (aka. Operating profit margin) | -4.2% | -6.2% | 5.1% |
| **Operational Risk** | | | |
| Profit volatility | 45.9% | 48.8% | 14.5% |
| Forecasting Risk (non adjusted ROE) | 2.0% | 1.9% | 2.5% |
| **Coverage** | | | |
| Interest Cover | (44) | (15) | 14 |
| **Growth/Investment** | | | |
| Capital renewal | 64.2% | 82.2% | 94.1% |
| **Financial strength** | | | |
| Gearing | 2.7% | 9.5% | 1.8% |
| Net Cash/Debt ($000s) | (2,599) | (9,654) | (1,758) |

*Agreed with Officials after adjustment in 2006/07 for restatement of certain land and buildings cost figures.

**Operating with effectiveness and efficiency**

As indicated in the 2012/13 Statement of Corporate Intent, there are a number of initiatives underway to improve NIWA's operational effectiveness and efficiency. These include progressing the implementation of three key administrative platforms which when fully implemented will reduce document double handling, align with the principle of 'do it once, do it right' and move NIWA a long way towards its aim of having centralised and electronic administration. Progress with these initiatives has been made as planned. Other initiatives to improve NIWA's productivity, science delivery, customer services levels and external communications are on track.

**Collaboration**

*End-user collaboration*

Increased focus on the application of NIWA's science for the benefit of New Zealand has continued this year, with 47% of revenue coming from end-user collaboration. Of this, 33% came from industry, 58% from government sectors, 4% from overseas and 5% from other Crown Research Institutes. Some examples of the benefits of this end-user collaboration are included in the *Positive impacts of NIWA Science* section below.

*Research collaboration*
NIWA research has a strong collaborative thread running through it, which reflects relationships with a wide range of organisations, nationally and internationally, which in turn contributes to delivery of our Core Purpose objectives. This is evidenced by the degree of subcontracting and collaborations embodied in our peer-reviewed publications and papers. By way of example:

- 96 papers involved collaborations with research organisations in 27 countries (11 countries in Europe, 5 in the Americas, 4 in Asia, 3 in the South Pacific and 4 elsewhere). The most frequent collaborations were with the US (in 40 papers), Australia (21), Germany (18), the UK (16), France (11), Japan (7), the Netherlands (7), and Canada (6). A number of papers involved collaboration with more than one country – anything up to 8 countries in highly collaborative research;
- 48 papers involved collaboration with a wide variety of New Zealand organisations, including universities, Crown Research Institutes, private research organisations and end-user organisations.

**Technology and Knowledge transfer**

Technology and knowledge transfer activities continued at a high level for the first half of the year. Some qualitative information on transfer activities to New Zealand industry, government and Māori is presented in the *Positive impacts of NIWA Science* section below. Quantitative information follows:

*End-user reports and presentations.*
NIWA has completed 50 reports for end-users to date, most of which were primarily to support central government agencies and industry. Some additionally supported the development of policy and regulation by central and local government.

NIWA staff also made 161 presentations during the first half of the year at a wide variety of national and international conferences, workshops, seminars and meetings. Of these, 43% were targeted for end-users (primarily central and/or local government, and industry). The remainder (57%) were aimed primarily at national and international science audiences. Some of these science meetings were also attended by end-users.

*Designated Nationally Significant Databases and Collections*
*(Climate Database, Water Resources Archive, NIWA Invertebrate Collection and NZ Freshwater Fish Database)*
NIWA's decision to provide free access to the above databases has resulted in a continuing increase in access and usage of them over the first half of the year.

- *Climate Database*: There can be significant fluctuation from month to month; however, usage in the first half of the year has increased by 30% over the same period last year (262 million rows of actual climate data downloaded compared with 202 million last year). The relevance of the database to end-users is also evidenced by the 11% increase in the number of users over the last six months (from 20,828 to 23,057, of which 91% are based in New Zealand).
- *Water Resources Archive*: Data-views by site visitors are now at 78% of the year-end total for 2011/12, indicating a sustained increase in usage of this database and an 8% increase in the number of registered users over the past six months. Note that 93% of this usage originates from New Zealand.

## Positive impacts of NIWA Science

### *An internationally significant milestone has been reached in atmospheric measurement*

As of 14 December 2012, New Zealand (through NIWA) completed 40 years of continuous monitoring of carbon dioxide ($CO_2$) at Baring Head, near Wellington. This is the longest in situ record of $CO_2$ in the Southern Hemisphere. The site is operated as part of a global network coordinated by the World Meteorological Organization, providing compatible data for researchers internationally, and contributing to the World Data Centre for Greenhouse Gases. Our $CO_2$ time series exhibits an upward trend that is observed globally – in 1972 we measured 324 ppm (parts per million) of $CO_2$; this has risen to 390 ppm now.

### *Reduction in uncertainty and risk will lead to aquaculture development in Northland*

This period has seen NIWA act as a central player in the development of an action-based aquaculture strategy for Northland, in association with Northland Inc. (a Council Controlled Organisation of the Northland Regional Council), local Iwi, established aquaculture businesses and interested investors (including Māori companies). These parties have collaborated to form the Northland Aquaculture Development Group, with the expressed purpose of rapid development of aquaculture through innovation, coordinated investment and market development. This considerably reduces uncertainty and will remove barriers to the development of aquaculture in an economically depressed part of the country. The goal is to have a regional $300 million industry by 2030.

### *Recognition that water quality can be improved in dairy catchments*

In this period we completed an analysis of water quality trend data for five 'best practice' monitored dairy catchments. Trend analysis showed that for all streams there were consistent decreases in sediment and faecal bacteria concentrations, and increasing water clarity. These changes are attributed to improvements in stream fencing (to exclude cattle) and greater use of irrigation for treated effluent disposal. The results give confidence for the industry to improve best management practices across the country.

### *International recognition of NIWA's science quality and value*

The value and quality of NIWA science was formally recognised during this period in a variety of areas. Research on an order of red seaweed received an award for best paper published in the *Journal of Phycology* in 2011. Similarly, in a review of top cited research papers published since 2009 in the international journal *Marine Geology*, NIWA staff were leading authors in 5 of the top 20 papers, including the most frequently cited article, which had a NIWA staff member as first author. In addition, NIWA's WaiVotua project (to develop sustainable waste treatment systems for coastal Fijian villages) was presented with the Pacific Water and Wastes Association *Best Water Infrastructure Innovation Project Award 2012* at the 5th Pacific Water Conference in Auckland, and two NIWA software tools were nominated for three awards at the New Zealand Open Source Awards (including selection as a finalist in two categories).

### *Record made of one of the largest volcanic eruptions in New Zealand over the last few centuries*

On 17 July 2012 a volcanic eruption created a raft of pumice in the Kermadec region that reportedly covered an area the size of Canterbury. On a *Tangaroa* voyage we identified the Havre volcano as the source, and showed that a new volcanic cone the size of Rangitoto had formed on the edge of the volcano, towering 240 m above the crater rim. Also, large volumes of freshly erupted pumice had raised the sea floor level by up to 10 m. The eruption volume was nearly 10,000 times that of the Te Maari-Tongariro eruption in the same month. This discovery highlights the recent increased activity of New Zealand's volcanoes and the potential for disruption to population centres.

***Increased capability for regional councils to make robust decisions on environmental management***

The opportunity arose in this period to provide a capability for Waikato Regional Council to monitor environmental conditions of the estuaries at near real time, for the first time. The provided solution incorporates NIWA-developed technology and includes data transferal by modem telemetry. The council is impressed with its new capability, and wishes to expand its use of the technology. On a similar vein, Greater Wellington Regional Council is now using a method (developed by NIWA and Auckland Council) called Stream Ecological Valuation (SEV) to assess loss of ecological function when streams are piped or channelled for urban developments. The council is now beginning to require SEV assessments from urban developers who apply for consents to modify streams, and has asked NIWA to develop a similar system for estuaries and wetlands.

***Increased economic benefit derived from optimal use of water resources in irrigated land***

Several strands of work are helping irrigators use water resources optimally and implement new technology to meet consent conditions. The large, new Rangitata South irrigation scheme will be using an automatic water flow control system developed by NIWA, including automated farm turn-out gates developed in collaboration with Rooney Earthmoving, for 'smart distribution' of the water resource, which increases economic returns for the farmers. In addition, we are installing water flow monitoring systems for Central Otago irrigators. This enables irrigators to continuously record water take (which helps them make optimal decisions on water usage), and to make the data available to Otago Regional Council (which helps them confirm consent compliance).

***Accounting for climate change impacts helps reduce risk to life and property from natural hazards***

Some councils are under pressure from property owners to remove notices about natural hazards from LIM reports, and are being challenged about the science behind, for example, erosion hazard set-back lines. In this period we reviewed the coastal impacts of climate change for Kapiti Coast District Council, which has an intensively used coastal margin. We were able to use new science from GNS Science on vertical land movement, coupled with NIWA's best estimates on sea-level rise, to show that the council's hazard planning is appropriate and scientifically sound, and that for longer land-use planning timeframes it may be prudent to increase relative sea-level rise estimates in its plans.

***Enhancing New Zealand's reputation in Pacific Island nations for high-quality, tailored solutions***

Following its recent weather station network upgrade project, the Fiji Meteorological Service (FMS) is planning to continue the expansion and upgrade of its nationwide network using NIWA-provided systems. This will enable it to provide better real-time weather information over Fiji and to its Pacific neighbours. According to FMS, NIWA provides better equipment, service and support than other suppliers. This supports New Zealand's reputation among our Pacific neighbours.

**Christopher Mace**
***Chairman***

**John Morgan**
***Chief Executive***

**January 2013**

# National Institute of Water & Atmospheric Research Ltd
## Statement of comprehensive income
## for the 6 months ended 31 December 2012

| in thousands of New Zealand dollars | Notes | Group<br>6 Months to Dec 12<br>Unaudited | 6 Months to Dec 11<br>Unaudited | 12 Months to Jun 12<br>Audited |
|---|---|---|---|---|
| **Revenues and other gains** | 4 | | | |
| Research | | 27,321 | 28,545 | 62,358 |
| Applied Science | | 24,772 | 29,558 | 57,384 |
| Other gains | | 31 | 29 | 1,562 |
| **Total income** | | **52,124** | **58,132** | **121,304** |
| **Operating expenses** | 5 | | | |
| Employee benefits expense | | (29,771) | (30,141) | (60,690) |
| Other expenses | | (18,583) | (19,613) | (41,697) |
| | | **(48,354)** | **(49,754)** | **(102,387)** |
| **Profit/(loss) before interest, income tax, depreciation and amortisation** | | **3,770** | **8,378** | **18,917** |
| Depreciation and impairment | | (5,881) | (5,105) | (10,995) |
| Amortisation | | (88) | (10) | (82) |
| **Profit/(loss) before interest and income tax** | | **(2,199)** | **3,263** | **7,840** |
| Interest income | | 42 | 23 | 82 |
| Finance expense | | (92) | (258) | (472) |
| **Net interest and other financing costs** | | **(50)** | **(235)** | **(390)** |
| **Profit/(loss) before income tax** | | **(2,249)** | **3,028** | **7,450** |
| Income tax credit/(expense) | | 512 | (848) | (1,909) |
| **Profit/(loss) for the period** | | **(1,737)** | **2,180** | **5,541** |
| **Other comprehensive income** | | | | |
| Foreign currency translation differences for foreign operations | | (1) | 5 | 12 |
| **Total comprehensive income for the Period** | | **(1,738)** | **2,185** | **5,553** |
| **Profit/(loss) attributable to:** | | | | |
| Parent interest | | (1,754) | 2,146 | 5,516 |
| Minority interest | | 17 | 34 | 25 |
| **Profit for the period** | | **(1,737)** | **2,180** | **5,541** |
| **Total comprehensive income attributable to:** | | | | |
| Parent interest | | (1,755) | 2,151 | 5,528 |
| Minority interest | | 17 | 34 | 25 |
| **Total comprehensive income for the Period** | | **(1,738)** | **2,185** | **5,553** |

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

# National Institute of Water & Atmospheric Research Ltd
## Statement of changes in equity
## for the 6 months ended 31 December 2012

| **Group**<br>in thousands of New Zealand dollars | **Notes** | **Share capital** | **Retained earnings** | **Minority interest** | **Foreign currency translation reserve** | **Total equity** |
|---|---|---|---|---|---|---|
| Balance at 1 July 2011<br>Unaudited | | 24,799 | 65,445 | 128 | (166) | 90,206 |
| Profit for the year | | – | 2,146 | 34 | – | 2,180 |
| Translation of foreign operations | | – | – | – | 5 | 5 |
| Total comprehensive income | | – | 2,146 | 34 | 5 | 2,185 |
| Dividends to equity holders | | – | – | – | – | – |
| **Balance at 31 December 2011** | | **24,799** | **67,591** | **162** | **(161)** | **92,391** |
| | | | | | | |
| Balance at 1 July 2011<br>Audited | | 24,799 | 65,445 | 128 | (166) | 90,206 |
| Profit for the year | | – | 5,516 | 25 | – | 5,541 |
| Translation of foreign operations | | – | – | – | 12 | 12 |
| Total comprehensive income | | | 5,516 | 25 | 12 | 5,553 |
| Dividends to equity holders | | – | – | – | – | – |
| **Balance at 30 June 2012** | | **24,799** | **70,961** | **153** | **(154)** | **95,759** |
| | | | | | | |
| Balance at 1 July 2012<br>Unaudited | | 24,799 | 70,961 | 153 | (154) | 95,759 |
| Profit for the year | | – | (1,754) | 17 | – | (1,737) |
| Translation of foreign operations | | – | – | – | (1) | (1) |
| Total comprehensive income | | – | (1,754) | 17 | (1) | (1,738) |
| Dividends to equity holders | | – | – | – | – | – |
| **Balance at 31 December 2012** | | **24,799** | **69,207** | **170** | **(155)** | **94,021** |

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

# National Institute of Water & Atmospheric Research Ltd
## Statement of financial position
## as at 31 December 2012

| in thousands of New Zealand dollars | Note | Group 6 Months to Dec 12 Unaudited | 6 Months to Dec 11 Unaudited | 12 Months to Jun 12 Audited |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | 7 | 24,799 | 24,799 | 24,799 |
| Equity reserves | | 69,052 | 67,430 | 70,807 |
| Shareholders' interest | | **93,851** | **92,229** | **95,606** |
| Minority interest | | 170 | 162 | 153 |
| **Total equity** | | **94,021** | **92,391** | **95,759** |
| **Non-current liabilities** | | | | |
| Unsecured loans | | 398 | 370 | 380 |
| Provision for employee entitlements | | 561 | 646 | 624 |
| Deferred tax liability | | 5,670 | 6,171 | 6,666 |
| **Total non-current liabilities** | | **6,629** | **7,187** | **7,670** |
| **Current liabilities** | | | | |
| Payables and accruals | | 7,463 | 8,908 | 10,454 |
| Revenue in advance | | 9,957 | 7,874 | 3,998 |
| Borrowings | | 3,890 | 16,600 | 7,500 |
| Provision for Employee entitlements | | 1,221 | 1,273 | 1,244 |
| Accrued employee entitlements | | 5,323 | 5,341 | 7,860 |
| **Total current liabilities** | | **27,854** | **39,996** | **31,056** |
| **Total equity and liabilities** | | **128,504** | **139,574** | **134,485** |
| **Non-current assets** | | | | |
| Property, plant, & equipment | | 101,688 | 106,666 | 103,835 |
| Identifiable intangibles | | 414 | 103 | 417 |
| Receivables | | 144 | 270 | 187 |
| Prepayments | | 10 | 23 | 24 |
| **Total non-current assets** | | **102,256** | **107,062** | **104,463** |
| **Current assets** | | | | |
| Cash and cash equivalents | | 1,291 | 2,203 | 2,781 |
| Receivables | | 10,398 | 12,914 | 17,944 |
| Prepayments | | 2,465 | 2,293 | 1,836 |
| Taxation receivable | | – | 1,127 | 436 |
| Uninvoiced receivables | | 8,877 | 10,585 | 3,989 |
| Inventories | | 3,217 | 3,390 | 3,036 |
| **Total current assets** | | **26,248** | **32,512** | **30,022** |
| **Total assets** | | **128,504** | **139,574** | **134,485** |

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

# National Institute of Water & Atmospheric Research Ltd
## Cash flow statement
## for the 6 months ended 31 December 2012

| in thousands of New Zealand dollars | Note | Group 6 Months to Dec 12 Unaudited | 6 Months to Dec 11 Unaudited | 12 Months to Jun 12 Audited |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | | 60,757 | 61,572 | 122,522 |
| Dividends received | | 1 | 3 | 3 |
| Interest received | | 42 | 23 | 82 |
| Cash was disbursed to: | | | | |
| Payments to employees and suppliers | | (54,721) | (57,013) | (104,771) |
| Interest paid | | (92) | (258) | (472) |
| Taxation paid | | (49) | (424) | (302) |
| **Net cash inflow from operating activities** | | **5,938** | **3,903** | **17,062** |
| **Cash flows from investing activities** | | | | |
| Cash was provided from: | | | | |
| Sale of property, plant, & equipment | | 31 | 26 | 33 |
| Cash was applied to: | | | | |
| Purchase of property, plant, & equipment | | (3,752) | (4,881) | (7,929) |
| Purchase of intangible assets | | (81) | (113) | (497) |
| **Net cash outflow in investing activities** | | **(3,802)** | **(4,968)** | **(8,393)** |
| **Cash flows from financing activities** | | | | |
| Cash was applied to: | | | | |
| Loan facility (repaid) | | (3,610) | 1,770 | (7,330) |
| **Net cash inflow (outflow) from financing activities** | | **(3,610)** | **1,770** | **(7,330)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(1,474)** | **705** | **1,339** |
| Effects of exchange rate changes on the balance of cash held in foreign currency | | (16) | 51 | (5) |
| Opening balance of cash and cash equivalents | | 2,781 | 1,447 | 1,447 |
| **Closing cash and cash equivalents balance** | | **1,291** | **2,203** | **2,781** |
| Made up of: | | | | |
| Cash | | 1,291 | 2,203 | 1,351 |
| Short-term deposits | | – | – | 1,430 |
| **Closing cash and cash equivalents balance** | | **1,291** | **2,203** | **2,781** |

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

# National Institute of Water & Atmospheric Research Ltd
# Notes to the financial statements
# for the 6 months ended 31 December 2012

## 1. Reporting Entity

The National Institute of Water & Atmospheric Research Ltd (NIWA) and Group is a profit-orientated company registered in New Zealand under the Companies Act 1993.

The financial statements for NIWA and the Group are presented in accordance with the requirements of the Crown Research Institutes Act 1992, the Crown Entities Act 2004, the Public Finance Act 1989, the Companies Act 1993, and the Financial Reporting Act 1993. The consolidated (or 'Group') financial statements comprise NIWA (the 'Parent Company'), its subsidiaries and the Group's interest in associates and joint ventures.

## 2. Nature of activities

The NIWA Group conducts research in water and atmospheric sciences in New Zealand and internationally.

## 3. Statement of accounting policies

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with the New Zealand equivalents to international financial reporting standards (NZ IFRS) and other applicable financial reporting standards appropriate for profit-oriented entities.

The financial statements comply with international reporting standards (IFRS).

These interim financial statements have been prepared in accordance with the requirements of NZ IAS 34: Interim Financial Reporting. They should be read in conjunction with the 2012 annual report.

## Basis of preparation

The measurement basis adopted in the preparation of these financial statements is historical cost, except for financial instruments as identified in specific accounting policies. Cost is based on the fair value of consideration given in exchange for assets.

The presentation and functional currency used in the preparation of these financial statements is New Zealand dollars.

Accounting policies are selected and applied in a manner to ensure that the resulting financial information meets the concepts of relevance and reliability, ensuring that the substance of the underlying transaction or event is reported.

The accounting policies have been consistently applied in preparing the financial statements for the six months ended 31 December 2012; the comparative information for the six months ended 31 December 2011, the comparative year ended 30 June 2012.

## Accounting judgements and major sources of uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## Comparatives

The financial statements for the six months ended 31 December 2012 and for the comparative six month period to 31 December 2011 are unaudited. The comparative figures for the year ended 30 June 2012 are audited.

# 4. Revenues and other gains

### Revenue

| | Group | | |
|---|---|---|---|
| in thousands of New Zealand dollars | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Sale of goods | 2,341 | 2,854 | 9,100 |
| Rendering of services | 49,751 | 55,246 | 110,639 |
| Dividends | 1 | 3 | 3 |
| **Total operating revenue** | **52,093** | **58,103** | **119,742** |

### Other gains

| | Group | | |
|---|---|---|---|
| in thousands of New Zealand dollars | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Net gain on sale from property, plant & equipment | 31 | 29 | 33 |
| Insurance proceeds | – | – | 1,529 |
| **Total other gains** | **31** | **29** | **1,562** |

## 5. Operating expenses and other gains

### Employee benefit expense

| | Group | | |
|---|---|---|---|
| in thousands of New Zealand dollars | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Defined contribution plans | 1,227 | 1,284 | 2,577 |
| Termination benefits | 221 | 187 | 746 |
| Other employee benefits | 28,323 | 28,670 | 57,367 |
| Employee benefit expense | **29,771** | **30,141** | **60,690** |

### Other Expenses

| | Group | | |
|---|---|---|---|
| in thousands of New Zealand dollars | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Operating expenses include: | | | |
| Rental and operating lease costs | 1,168 | 1,084 | 2,295 |
| Remuneration of directors | 149 | 149 | 297 |
| Bad debts written off | – | – | – |

### Other gains and (losses) included in operating expenses

| | Group | | |
|---|---|---|---|
| in thousands of New Zealand dollars | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Operating expenses include: | | | |
| Movement within doubtful debt provision | – | – | (41) |
| (Gain)/loss on foreign currency cash held | 21 | (194) | (28) |

### Auditor's remuneration

| | Group | | |
|---|---|---|---|
| in thousands of New Zealand dollars | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Auditor's remuneration to Deloitte comprise: | | | |
| Audit of the financial statements | 113 | 77 | 158 |
| Other assurance services | – | – | – |
| **Total auditor's remuneration** | **113** | **77** | **158** |

**Key management personnel compensations**

| in thousands of New Zealand dollars | Group | | |
|---|---|---|---|
| | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Short-term benefits | 3,203 | 3,314 | 6,579 |

The table above includes remuneration of the Chief Executive Officer and all key management positions.

## 6. Reconciliation of the profit for the period to net cash inflow from operating activities

| in thousands of New Zealand dollars | Group | | |
|---|---|---|---|
| | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| **Profit for the period** | **(1,737)** | **2,180** | **5,541** |
| **Add/(less) items classified as investing activities** | | | |
| Net loss/(gain) on disposal of property, plant, & equipment | 13 | 255 | 236 |
| | **13** | **255** | **236** |
| **Add/(less) non-cash items** | | | |
| Depreciation and impairment | 5,881 | 5,105 | 10,994 |
| Amortisation of identifiable intangibles | 88 | 10 | 82 |
| (Increase)/decrease in unsecured loan | (18) | (26) | (36) |
| Net foreign currency (gain)/loss | 21 | (194) | 87 |
| Increase/(decrease) in deferred tax liability | (996) | (5) | 490 |
| | **4,976** | **4,890** | **11,617** |
| **Add/(less) movements in working capital items** | | | |
| Increase/(decrease) in payables and accruals and revenue in advance | 2,968 | (2,131) | (4,461) |
| Increase/(decrease) in employee entitlements | (2,623) | (2,096) | 374 |
| (Increase)/decrease in receivables and prepayments | 6,974 | 6,644 | 1,954 |
| (Increase)/decrease in inventory and uninvoiced receivables | (5,069) | (6,242) | 707 |
| (Increase)/decrease in taxation receivable | 436 | 423 | 1,114 |
| Increase/(decrease) in other financial assets and liabilities | – | (20) | (20) |
| | **2,686** | **(3,422)** | **(332)** |
| **Net cash flows from operating activities** | **5,938** | **3,903** | **17,062** |

## 7. Share capital

| in thousands of New Zealand dollars | Group | | |
|---|---|---|---|
| | **6 Months to Dec 12** Unaudited | **6 Months to Dec 11** Unaudited | **12 Months to Jun 12** Audited |
| Issued and fully paid capital | | | |
| 24,798,700 ordinary shares | 24,799 | 24,799 | 24,799 |

All shares carry equal voting and distribution rights; if the company is to be wound down, all proceeds are distributed equally amongst the shareholders.

## 8. Commitments

## 8a Operating lease arrangements

| in thousands of New Zealand dollars | Group<br>6 Months to Dec 12<br>Unaudited | Group<br>6 Months to Dec 11<br>Unaudited | Group<br>12 Months to Jun 12<br>Audited |
|---|---|---|---|
| Obligations payable after balance date on non-cancellable operating leases: | | | |
| Within 1 year | 2,609 | 2,485 | 2,576 |
| Between 1 and 2 years | 2,200 | 2,154 | 2,198 |
| Between 2 and 5 years | 5,802 | 5,858 | 6,026 |
| Over 5 years | 8,502 | 12,299 | 9,422 |
| | **19,113** | **22,796** | **20,222** |

Operating leases relate to office and laboratory facilities within New Zealand and Australia, with lease terms between 1 to 11 years, with various options to extend.

## 8b Capital commitments

| in thousands of New Zealand dollars | Group<br>6 Months to Dec 12<br>Unaudited | Group<br>6 Months to Dec 11<br>Unaudited | Group<br>12 Months to Jun 12<br>Audited |
|---|---|---|---|
| Commitments for future capital expenditure: | | | |
| Approved, but not contracted for | 4,579 | 2,444 | – |
| Contracted, but not provided for | 3,796 | 2,632 | – |
| | **8,375** | **5,076** | – |

## 9. Contingent liabilities

There are no material contingent liabilities that were identified during the normal course of activities.

## 10. Subsequent events

There were no subsequent events (2011: Nil).

## National Institute of Water & Atmospheric Research Ltd

# Directory

**BOARD OF DIRECTORS**
Christopher Mace (Chairman) *(reappointed 1 July 2012)*
Craig Ellison (*Deputy Chairman) (reappointed 1 July 2010)*
Dr Helen Anderson *(appointed 1 July 2011)*
Prof. Keith Hunter *(appointed 1 July 2012)*
Ed Johnson *(reappointed 1 July 2011)*
Dr Wendy Lawson *(resigned 30 June 2012)*
Helen Robinson *(reappointed 1 July 2011)*
Jason Shoebridge *(reappointed 1 July 2012)*

**EXECUTIVE TEAM**
John Morgan, *Chief Executive Officer*
Michael Parrott, *Chief Financial Officer and Company Secretary*
Geoff Baird, *General Manager, Communications & Marketing*
Dr Barry Biggs, *General Manager, Operations*
Dr Bryce Cooper, *General Manager, Strategy*
Dr Mary-Anne Dehar, *General Manager, Human Resources*
Arian de Wit, *General Manager, Information Systems*
Dr Rob Murdoch, *General Manager, Research*

**SCIENCE MANAGEMENT TEAM**
Andrew Forsythe, *Chief Scientist, Aquaculture & Biotechnology*
Dr Barb Hayden*, Chief Scientist, Coasts & Oceans*
Dr Clive Howard-Williams*, Chief Scientist, Freshwater & Estuaries*
Dr Rosie Hurst*, Chief Scientist, Fisheries*
Dr Murray Poulter*, Chief Scientist, Atmosphere, Natural Hazards, & Energy*
Dr Jochen Schmidt*, Chief Scientist, Environmental Information*
Dr Charlotte Severne*, Chief Scientist, Māori*
Dr David Wratt*, Chief Scientist, Climate*
Dr Mark Bojesen-Trepka*, Manager, Marketing and Industry Engagement*
Greg Foothead*, General Manager, Vessel Operations*
Alan Grey, *Manager, MBIE Research*
Douglas Ramsay*, Manager, Pacific Rim*
Fred Smits, *Manager, Marine Resources*

**Auditors**
Deloitte on behalf of the Auditor-General

**Solicitors**
Bell Gully
Atkins Holm Majurey

**Bankers**
ANZ Bank New Zealand Limited

**Insurance Broker**
Marsh Limited

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