

**NATIONAL INSTITUTE OF WATER
AND ATMOSPHERIC RESEARCH LIMITED**

STATEMENT OF CORPORATE INTENT

1994/1995

**THIS STATEMENT IS SUBMITTED BY THE BOARD OF
DIRECTORS OF THE NATIONAL INSTITUTE OF WATER &
ATMOSPHERIC RESEARCH LIMITED (THE INSTITUTE) IN
ACCORDANCE WITH THE CROWN RESEARCH INSTITUTES
ACT 1992. IT SETS OUT THE BOARD'S OVERALL INTENTIONS
AND OBJECTIVES FOR THE COMPANY TO 30 JUNE 1995, AND
THE TWO SUCCEEDING FINANCIAL YEARS.**

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FOREWORD

The Statement of Corporate Intent contains the Board's intentions for the 1994/95 year and the two years beyond. It is based on a move to "One NIWA" with the final removal of divisional barriers that reflected the earlier separate disciplinary origins of our organisation. This represents the logical evolution of where we should be as a science organisation - one where research policies and strategies can be applied evenly across the organisation, where multi-disciplinary work can flourish and where our best scientists are enabled to be as productive as possible.

These changes were initiated in August and were in place from early October 1994.

The catalyst for this change has been our Strategic Research Plan which sets out clear policy and directions for our current and future activities as a commercial science business, based on NIWA functioning as one.

We now have a structure which will facilitate (rather than hinder) implementation of the Research Plan by ensuring that NIWA functions as one company, not as several semi-autonomous organisations. Uniform operational procedures will now apply across all of NIWA for the delivery of science products. The basis of our operations, Project Management, which is already in place across NIWA, remains unaltered.

Project Management will be the underpinning of what we do and the means by which we control our performance and profitability. The quality of our science remains all important and by adopting the "One NIWA" structure, we have allowed many of our senior scientists to become more productive and less burdened with administration. Throughout the past two years, the quality of NIWA science has remained high and the standard of our FRST Parliamentary and Achievement reports for 1993/94 is testament to this.

Our market in environmental servicing is currently expanding rapidly, due mostly to the effects of the Resource Management Act (RMA) and the economic recovery. NIWA has shared in the market growth, as have commercial consultancies. This expansion will presumably slow down as business adjusts to operating under the RMA. At present NIWA is experiencing some difficulty finding staff with specialist skills in NZ and has recruited from overseas. We are also under pressure from commercial consultancies attempting to poach staff. This is putting pressure on salary levels although we currently retain staff by the fact that we offer a research environment, not just commercial consulting.

NIWA's position in the market is as a high-quality supplier of pure to applied research and scientific services. We compete with universities on quality and timeliness and our ability to mount a sizeable program. We also compete with commercial consultancies although they tend (but not always) to be lower quality and price. As a high-quality, high-price supplier we are under considerable pressure from lower grade suppliers upskilling and hence we must continually improve our own skills and upgrade facilities to maintain our margins.

We have made a small start on Maori science with one current project, on Taiapure. We intend to see more happen in future. We are examining environmental issues as they relate to Maori and opportunities for our involvement in this area.

The commercial value of NIWA is in its balance sheet as \$12m. Given the restraints on our ability to realise our land and buildings, we can only value NIWA as a going concern. As establishment was only two years ago, we cannot see any other basis that would imply a change in value.

The current rates of return are around 11.3% after tax on shareholders' funds and we believe levels near these are an acceptable target.

Capital structure, dividend and investment are linked issues. NIWA inherited a legacy of capital underspending. In addition a number of science areas - oceanography and aquatic chemistry, for example - are rapidly developing techniques based on new instrumentation. As NIWA intends to remain a leading scientific organisation this will require significant investment in instruments and computers. Accordingly we do not intend to change the current dividend policy and will reinvest our profits in the business. Given the high-risk nature of research, and our difficulty in disposing of land or buildings, it is appropriate that NIWA minimise its debt.

The value of our unsold land at Taupo is about to be realised through the Government's land bank policy and we expect to receive the proceeds of this amounting to \$825,000 including GST by the end of November.

The Government has now resolved to merge the stock assessment and associated research activities of MAF Fisheries with NIWA. Heads of Agreement are to be completed by 31 December 1994 and effective date of the merger is to be 1 July 1995. Together with the staff, significant assets are involved including the research vessels, *Tangaroa* and *Kaharoa*, together with MAF Fisheries' Greta Point facility. We now have a steering committee in place with representatives from both NIWA and MAF Fisheries to work through the merger issues in conjunction with the CRI Transition Unit.

A high level of synergy exists between MAF Fisheries and NIWA in marine science. We expect our one NIWA, project management-based organisation will accommodate this merger without further major restructuring.

The addition of the vessels will provide a new dimension to our marine and oceanographic capabilities and will see New Zealand's limited research vessel resource put to more effective use.

NIWA will incur costs associated with the merger during the 1994/95 year which have not been budgeted for. Our estimate is that these could amount to several hundred thousand dollars by way of professional and consultants' fees and other associated overheads.

We are advised that costs directly attributable to the merger (including redundancy costs) will be met or reimbursed by the Crown. Otherwise, the financial impact of the merger will not occur until the 1995/96 year.

P M Hargreaves
Acting Chief Executive

November 1994

1. MISSION

In the period January - July 1994 NIWA has developed a Strategic Science Plan. This Plan, now approved by the Board, has served to promote a unified approach to science within NIWA and has caused the Board to remove the divisional structures within the Institute allowing it to operate as "One NIWA" in order to meet its science objectives.

NIWA's mission reflecting this strategic approach to science is:

"To provide a scientific basis for the sustainable management of New Zealand's atmospheric, marine, freshwater and coastal systems."

In support of this statement the Board is committed to:

- * maintaining and enhancing our national and international reputation for excellence in science and science-related services;
- * continuing to foster a culture which is entrepreneurial, extroverted and seeks opportunities;
- * establishing and promoting areas of scientific expertise which are staffed efficiently and supplied with sufficient capital to carry out high quality, creative science and simultaneously vigorously expand commercial consultancy work;
- * ensuring that the working environment is responsive to our science direction and that all staff are treated in a fair and equitable manner;
- * securing a diverse client base to broaden our source of revenue, increase our awareness of new commercial opportunities and to minimise the Crown's ownership risk;
- * providing a return on shareholders' funds which exceed the Crown's cost of capital;
- * being recognised by both employees and the scientific and business communities for integrity and skill in managing and conducting the company's business.

2. NATURE AND SCOPE OF THE BUSINESS

NIWA is an independent research institute that conducts international quality science and provides applied consultancy science services. NIWA's science and services assist in understanding natural processes and human influences operating in atmospheric, marine, freshwater and coastal systems.

Our science is directed principally towards sustainable resource management, with the intention of providing a strong knowledge base to assist in both the implementation of New Zealand's Resource Management Act and finding solutions to broader global concerns.

NIWA prides itself on its strong multidisciplinary nature and on our ability to work in large, integrated teams on difficult environmental problems. We are dedicated to high quality research which underpins the provision of creative solutions for clients. NIWA's resolve is to enhance professional standards, to extend the boundaries of environmental science, and to cover the full spectrum of research and consultancy activities "from science to service".

NIWA's core research areas :

- atmospheric research, including urban air quality, greenhouse gases and tropospheric aerosols, atmospheric electromagnetic waves, stratospheric chemistry (including UV and ozone dynamics), Antarctic atmospheric research, climate/weather processes and national climate database network
- freshwater research, including hydraulics, hydrology, aquatic pollution prediction and control, river ecosystems, lake ecosystems, aquatic plant management, freshwater fish biology/ecology, Antarctic ecological research and national freshwater database network
- coastal research, including coastal and estuarine processes (physical, biological and chemical), aquaculture and aquatic pollution prediction and control
- marine research, including physical and biological oceanography, taxonomy and geology.

NIWA's core business is based on key competencies in the following areas:

- behaviour and composition of the atmosphere, and interaction with oceans
- natural processes of marine, coastal and freshwater ecosystems of New Zealand, together with impacts that human activities have upon them
- marine and freshwater aquaculture
- development of criteria for environmental standards
- frequency, magnitude and timing of atmospheric and hydrological phenomena, in particular extreme events and long term changes and variability
- the nature and variability of oceanic water masses, currents and waves
- marine geological processes and swath bathymetry
- identification and evaluation of the biota of the marine, estuarine, river and lake ecosystems
- repair and rehabilitation of aquatic ecosystems
- development of marine natural products with chemotherapeutic, industrial and agricultural applications
- maintenance and contribution to national information bases on atmospheric trace gases, climate, water resources and quality, aquatic biota, bathymetry and sediments
- provision of public information, technology transfer and international liaison in atmosphere and water disciplines

3 FINANCIAL PERFORMANCE

We are strongly committed to operating the Institute as a commercially viable organisation, with commercial standards of performance and accountability.

The Institute will fulfil its financial obligations as specified in Section 5 of its empowering legislation namely:

- 2 "...operate in a financially responsible manner so that it generates operating funds sufficiently to maintain its financial viability".
- 3a "...providing a reasonable return on the shareholders' funds invested in the Crown Research Institute".
- 3b "...operated as a going concern".

More specifically our financial objectives will be (in current 1994/95 dollars):

	Actual 1993/94	Budget 1994/95	Budget 1995/96	Budget 1996/97
Revenue (\$'000)	36,178	38,002	38,390	38,860
Operating expenses (\$'000)	34,011	35,189	35,685	36,325
Operating net profit pre tax (\$'000)				
Net Profit after tax (\$'000)	2,167	2,813	2,705	2,535
	1,483	1,885	1,812	1,699
Total Assets (\$'000)	20,836	22,145	24,081	25,980
Shareholders Funds (\$'000)	13,163	15,049	16,861	18,560
Productivity				
Revenue per scientist & technical	124	125	125	125
Ratio of revenue to personnel costs				
Scientists & technicians per support staff	1.97	2.00	2.02	2.02
	4.78	5.20	5.20	5.25
Profitability				
Operating profit margin (%)	6.0	7.40	7.05	6.52
Return on equity (%)	11.27	12.53	10.75	9.15
Return on assets (%)	10.74	13.02	11.52	10.03
(EBIT/Total assets)				

	Actual 1993/94	Budget 1994/95	Budget 1995/96	Budget 1996/97
Liquidity and Efficiency				
Current ratio	0.83	0.96	1.17	1.22
Liquidity ratio	0.69	0.81	0.95	0.99
Creditors days	59.38	54.18	52.40	51.65
Non-FRST Work in Progress Days	13.95	12.97	20.98	22.64
Non-FRST Debtor Days	123	88	93	93
Financial Leverage				
Debt to equity (%)	7.51	6.64	5.97	5.45
Proprietorship (%)	92.49	93.36	94.03	94.55
Diversification				
Non-FRST/Total revenue (%)	29.52	30.22	31.73	33.20

Note: Non-FRST debtor days will always be high at year end, because invoicing is substantially higher in June than in other months.

Profits are generated in each year. In FY93/94 most of the cash generated was applied to the construction of new premises in Hamilton.

Capital spending in 1994/95 is in line with NIWA's Capital Expenditure Policy. The Board is committed to reinvestment of free cash flows in capital assets for the benefit of New Zealand's economic and scientific development.

4. NON-FINANCIAL PERFORMANCE

4.1 Principles of Operation

NIWA is committed to the principles as stated in section 5 of the Act:

- (a) That research undertaken by NIWA should be undertaken for the benefit of New Zealand.
- (b) That NIWA should pursue excellence in all its activities.
- (c) That in carrying out its activities, NIWA should comply with any applicable ethical standards.
- (d) That NIWA should promote and facilitate the application of: -
 - * the results of research; and
 - * technological developments.
- (e) That NIWA should be a good employer.
- (f) That NIWA should be an organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage those interests when able to do so.

4.2 Strategic Objectives and 1994-95 Actions

4.2.1 Science Planning and Delivery

NIWA will pursue a multidisciplinary science strategy which further establishes nationally and internationally recognised expertise in water and atmospheric science and promotes research with a view to its application, leading to outcomes which improve New Zealand's ability to manage the environment.

Objectives:

- Continue the development and implementation of a Strategic Science Plan which:
 - : defines the philosophy and principles for the long-term development of NIWA's science initiatives
 - : is multifaceted and integrates all groups within NIWA
 - : identifies specific actions required for a focused, co-ordinated science programme
 - : establishes the basis for NIWA's capital expenditure programme.

1994-95 Actions:

- Define policies, strategies and specific actions required for a focused, co-ordinated science programme.
- Establish a strong internal framework to ensure both the implementation and success of the Strategic Science Plan.
- Commence implementation of the Strategic Science Plan by:
 - : ensuring science is conducted as a united force, with the best staff used to achieve the best science in all programmes regardless of former divisional structure or historical funding
 - : focusing both research programmes and capital expenditure to conform with the Strategic Science Plan
 - : pursuing collaboration with other research organisations and end-users to improve our research endeavours, to assist entry into new research areas where our existing expertise is limited, or to create new commercial consultancy opportunities
 - : prioritising capital equipment requirements and developing a defined programme of capital expenditure which will address both short and long term needs
 - : using NSOF for research projects which assist implementation of the Strategic Science Plan, for continuing NIWA's Visiting Scientist Programme, for postgraduate awards which fund young scientists to work in NIWA programmes, and for sabbatical awards which enable NIWA staff to work at leading overseas research institutions
 - : initiating the NIWA Public Lecture Series in main centres, with lectures given by NIWA's foremost/eminent scientists and/or Visiting Scientists on significant topics of general interest

4.2.2 Management of NIWA

NIWA will consolidate the unification of the institute as a commercial science and technology business with high staff morale, confidence in senior management, long-term retention of scientists and technicians, and a high level of staff "ownership" of the company.

Objectives:

- Consolidate NIWA's current structure and implement policies and operational procedures consistently, openly and honestly throughout all levels and locations of the business
- Develop a positive working environment which provides both intellectual stimulation and enjoyment for staff
- Further devolve scientific and financial responsibilities through full implementation of NIWA's Project Management System.

1994-95 Actions:

- Enhance NIWA's functioning as a unified organisation by:
 - : implementing policies and operational procedures consistently throughout NIWA to consolidate the institute's non-divisional structure
 - : providing the most effective teams for research programmes and commercial projects
 - : reviewing the implementation of the Project Management System

4.2.3 Staff Development

NIWA will be a good employer, provide for the development of staff, and ensure that appropriately qualified staff are available where and when required.

Objectives:

- Provide a healthy working environment which enhances staff professional and career development through:
 - : training and development of key skills and competencies
 - : succession planning

- : effective recruitment
- : appropriate rewards for staff
- : performance management
- : fair and equitable staff relationships
- : implementation of Equal Employment Opportunities.

1994-95 Actions:

- Develop a workforce plan based on essential business needs which:
 - : provides a database of skills required for effective multidisciplinary resourcing
 - : develops a career development and succession planning strategy
 - : designs a development programme for key staff.
- Develop and implement a Training & Development plan for all staff which:
 - : meets the needs of a multi-disciplinary business
 - : introduces new skills and expands existing skills
 - : provides opportunity for personal development.
- Continue the development and implementation of NIWA's performance management system through staff communications, training and system review.
- Enhance staff relationships by:
 - : fair and equitable treatment of all staff
 - : implementing Equal Employment Opportunities policy
 - : implementing effective Health & Safety practices.

4.2.4 Maori

NIWA will recognise the principles of the Treaty of Waitangi in formulating and undertaking research programmes.

Objectives:

- Establish effective relationships with Maori people which will:
 - : develop positive interactive relationships with tribes throughout New Zealand
 - : increase liaison and consultation with Maori.
- Encourage a positive relationship with Maori and undertake to observe Maori protocol in carrying out NIWA's activities, where appropriate.

1994-95 Actions:

- Identify key areas of NIWA's work of specific relevance to Maori in consultation with tribal groups throughout the country.
- Develop a strategic plan in collaboration with iwi which will enable NIWA to provide appropriate and relevant science for different tribes.
- In consultation with iwi, develop a policy regarding relationships, responsibilities and consultation with Maori and educate staff with respect to this policy.

4.2.5 Marketing/Business Development

NIWA will provide a premium level of innovative and specialised service to clients.

Objectives:

- Develop a marketing and business development strategy which will:
 - : identify key current and potential user groups, clients and their needs
 - : continue to build close relationships with key clients
 - : enhance NIWA's profitability
 - : ensure uniformly high standards of service delivery.

1994-95 Actions:

- Prepare and implement a marketing and business development plan which:
 - : adopts a NIWA-wide perspective

- : enhances a multidisciplinary approach to service provision
 - : identifies key areas of market advantage
 - : identifies areas of threat and/or competition
 - : identifies opportunities to strengthen and enhance NIWA's position
 - : identifies client managers
 - : identifies possible market opportunities
 - : outlines the marketing strategy for activities which lie within core areas, are complementary to core business and the Strategic Science Plan, and supplement and/or diversify core business.
- Develop and implement a NIWA-wide pricing policy.
 - Include service delivery as a key part of training and development of all staff.
 - Continue to build close relationships with targeted clients.
 - Continue to develop formal strategic alliances with international consultancies operating in Southeast Asia and the South Pacific.

5 POLICY STATEMENTS

5.1 Accounting Policy

The Institute will adopt the generally accepted accounting principles and policies prescribed by the NZ Society of Accountants. Further details are given in the Appendix to this Statement.

5.2 Borrowing Policy

The Institute will follow a conservative borrowing policy. Investment in new assets or programmes and activities will predominantly be financed from the Institute's own cashflows.

We will undertake an annual independent audit to assure the Crown that no borrowings have been undertaken that imply any guarantee by the Crown.

Any information or documentation produced by the Institute in support of debt raising or credit agency revenues will be provided to our owners.

5.3 Dividends Policy

The Institute intends to distribute all funds surplus to its investment and operating requirements to our shareholders. The level of surplus funds will be determined each year by reference to:

- * Our medium and long term capital expenditure programmes
- * Our working capital requirements
- * A sustainable financial structure for the Institute

Any distribution will be paid within four months of financial year end.

However, until the Institute has established itself on a firm financial basis, with secure sources of income from a broad mix of clients, the Institute does not intend to pay dividends. With a legacy of capital underspending in science in recent years, the Institute expects to need significant retained profits to support investment in its capital infrastructure.

Free cashflows will be used for reinvestment to avoid the need for further injections of equity or debt. Accordingly no dividends are forecast.

5.4 Treasury Policy

- (a) New overseas bank accounts require approval of the Board.
- (b) New local bank accounts require approval of the Chief Executive Officer plus Financial Controller, but must be ratified by a subsequent Board meeting.
- (c) The Chief Executive, plus the Financial Controller, are authorised to:
 - Sign negotiable instruments;
 - Borrow funds from Finance Institutions within specific facilities approved by the Board;
 - Invest surplus funds with the Financial Institutions approved by the Board.

(Note: refer below for approved Financial Institutions)

- (d) Day to day funds management with approved institutions may be further delegated in writing. Such delegations must be in writing to the bank and be signed by the Chief Executive Officer plus Financial Controller.
- (e) All investments in shares, patents and copyrights, requires specific Board approval.
- (f) Any write-down or write-off of investments requires specific Board approval.
- (g) Leased Assets - Financing.

As leasing is in fact a form of financing, delegations for fixed asset purchases/construction apply, i.e, the appropriate approvals for the asset purchase must be obtained.

Financial Institutions approved for investing and borrowing funds:

- Bank of New Zealand Limited
- ANZ Bank Limited
- National Bank of New Zealand Limited
- Westpac Banking Corporation of New Zealand
- National Australia Bank (NZ) Limited
- ASB Bank Limited
- Countrywide Banking Corporation Limited

5.5 Purchases and Disposals Policy

The following activities will only be undertaken following consultation with our owners:

- * Subscription for purchase of shares in other organisations.
- * Loan to any other organisation.
- * Establishment of subsidiary companies.
- * Disposal of significant assets, shares or undertakings of the Institute or any of its subsidiaries.
- * Disposal of shares in any company in which the Institute holds more than 20% of the total shares.

5.6 Non Core Activities Policy

The Institute is engaged primarily in the business of undertaking research and providing related information and advisory services. The nature of our various research programmes means that we undertake activities which have the opportunity to earn additional income. For example, we sell salmon eggs produced from our research hatchery and operate an instrument servicing business. Any and all such activities will be regularly reviewed to ensure that they remain relevant and necessary to our core activities and that they operate on a strictly commercial basis. Where these criteria cease to be met, the activity in question will either be sold or liquidated.

The Institute has no current proposals to diversify beyond its present core business.

5.7 Control of Subsidiary Companies

The Institute will ensure at all times that:

- * Control of the affairs of every subsidiary of the Institute is exercised by the majority of the directors of that subsidiary.
- * A majority of the directors of every subsidiary of the Institute are directors or employees of the Institute or have been approved by our owners for appointment as directors of the subsidiary.

5.8 Co-operative Activities

The Institute will prefer its relationship with other CRIs and universities to be co-operative. In particular it will co-operate with the other two resource CRIs, Land Care Research and the Institute of Geological and Nuclear Sciences Ltd, and with the Meteorological Service of New Zealand Ltd. It will also pursue cooperation in marine work with Defence and MAF Fisheries, and has signed Memoranda with Otago and Waikato Universities.

The Institute intends to develop a Maori Science programme, in co-operation with knowledgeable Maori. NSOF has already been allocated to the development of this programme.

The Institute participates in a wide range of international committees or organisations. Generally it is on the basis of the scientific standing of the individual, or on an informal basis as the relevant organisation in New Zealand. The Institute believes that participation in international organisations is an essential part of science, for the informal linkages it offers, and will strongly support its staff's participation.

Organisations on which we are represented are:

- * Scientific Committee on Oceanic Research
- * WESTPAC National Focal Point
- * SCOR Working Group 93 Pelagic
- * Biogeography International Geological Correlation Programme
- * World Ocean Circulation Experiment
- * International Association of Physics of the Ocean
- * Freshwater Fish Specialist Group Indo Pacific Fisheries Council, FAO
- * Fish Specialty Group Species Survival Committee, IUCN
- * NZ National Committee for International Hydrological Programmes
- * International Association of Hydrological Sciences
- * SIL Working Group on Biological Monitoring of Freshwater
- * WMO Commission for Atmospheric Science
- * WMO Commission for Agricultural Meteorology
- * WMO Commission for Climatology
- * WMO Commission on Hydrology
- * WMO Ozone Commission
- * International Union of Pure and Applied Chemistry
- * UNEP/WHO Global Environmental Monitoring System
- * NDSC Steering Committee

5.9 Databases

The Institute is responsible for four covenanted national databases or reference collections:

- * Biology Collection of Marine Biota
- * Geology Collection of Seabed Sediments
- * Water Resources Archive
- * Climatological Database

Management of these databases and collections will be in accordance with the following principles:

The Institute will provide access to these national databases and reference collections so long as they are substantially paid for from the public purse and in providing this access:

- 1 the costs of collection, archiving and maintenance will be recovered only to the extent that they have not been paid for from public good funding;
- 2 the costs of actual retrieval of data from databases and collections will be recovered;
- 3 the data supplied will be subject to copyright, so that the right to further copy the data and acknowledgement as to source is subject to normal conventions; and
- 4 in situations where a third party wishes to obtain large portions of data from a database or collection for direct commercial use then the Institute will charge a copyright, royalty or licence fee.

6 INFORMATION REPORTING

The Institute is establishing information systems and reporting mechanisms both for its own management use and to fulfil its obligations to its owners, including quarterly, half yearly and yearly annual reports together with audited annual financial results:

- * Quarterly Reports - with summary financial statistics indicating:
 - Financial and operating performance versus the same period in the previous year, when applicable.
 - Explanations for divergence from budget.
 - Forecasts for the remainder of the financial year including key financial and performance measures and cashflows.
 - Explanations for significant changes in forecasts from business plan targets.
- * Half-Yearly Reports - within two months of the end of the first half of the financial year, indicating:
 - Financial and operating performance for the half year, versus the same period in the previous year where applicable.
 - Major issues during the period.
 - Profit and loss statement, end-of-period balance sheet and cashflow statement.
- * Annual Reports - within three months of the end of the financial year, indicating:
 - Full annual report, accounts and proposed dividend for the year.
 - Comparison of performance against targets.
 - Auditors statement.
- * Business Plans - at the start of each year, the Institute will submit a summary of its business plans to its shareholders. Any material revision to these plans during the course of the year will be advised to shareholders.
- * Any other information reasonably required by shareholders.
- * Internal reporting will be monthly.

7 COMMERCIAL VALUE OF THE CROWN'S INVESTMENT

The valuation of the Institute agreed for the purposes of asset transfer was \$12.3 million, net of a provision of \$1.2 million for future restructuring costs.

The Directors plan to conduct a review of the commercial value of the Company every two to four years or whenever there is considered to be material change in the value of the shareholder's investment. Owners will be fully consulted throughout any valuation process and will be provided with copies of relevant reports.

APPENDIX

Accounting Policies

The Institute will adopt general accounting principles as recommended by the New Zealand Society of Accountants for the measurement and reporting of results and financial position under the historical cost and accrual accounting conventions for a going concern.

The following particular accounting policies which materially effect the measurement of profit and financial position are applied.

Shareholder's Funds

Shareholder's funds are defined to be the total of retained earnings, revenue reserves and equity capital at the end of the financial year.

Total Assets - Total assets include all tangible assets.

Revenue Recognition

Revenue is recognised in the month the work is done. Most clients are billed monthly or fortnightly for work done to date either on a contract basis or a time and cost basis.

Debtors - Debtors are valued at net realisable value.

Fixed Assets

Fixed assets are shown in the balance sheet at net book value (i.e. cost less depreciation). The cost of assets at 30 June 1992 is the estimated net book value as advised by the Government departments who currently own those assets.

Depreciation

All assets are written off over their useful life using the straight line method of depreciation, except software, which is the same as IRD rates. Depreciation is provided from the date the assets enter service. The range of average depreciation lines is as follows:

	New Assets
Buildings	40 years
Plant and equipment	10 years
Vehicles	4 years
EDP equipment	3 years
Furniture and fittings	10 years
Office equipment	5 years
Miscellaneous assets	5 years

Income Tax

Income tax is assumed at 33% of operating profits. No allowance for deferred taxation has been made.

GST - revenue and expenses have been calculated on a GST exclusive basis

Inflation - All forecasts assume a zero inflation rate.

DIRECTORY

BOARD OF DIRECTORS

Donald Sollitt Chairman
Dr Robin Falconer
Emeritus Professor Paul Mulcock
Dr Margaret Mutu
Robin McLagan

ACTING CHIEF EXECUTIVE

Paul Hargreaves

COMPANY SECRETARY

Dene Biddlecombe

SOLICITORS

Bell Gully Buddle Weir

AUDITORS

Deloitte Touche Tohmatsu

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INSURERS

Willis Corroon Ltd

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