

**NATIONAL INSTITUTE OF WATER  
AND ATMOSPHERIC RESEARCH LIMITED  
STATEMENT OF CORPORATE INTENT**

**1996/1997**

**4 September 96**

**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 1997, AND THE TWO  
SUCCEEDING FINANCIAL YEARS.**

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## PREAMBLE

The National Institute of Water and Atmospheric Research Ltd (NIWA) is a Crown Research Institute wholly owned by the New Zealand Government and incorporated on 1 July 1992. NIWA is New Zealand's foremost institute in atmospheric and aquatic science. NIWA undertakes a mix of public good research and commercial scientific services which benefit New Zealand by transferring technologies to agencies responsible for the sustainable management of aquatic and atmospheric natural resources.

Major achievements in the 1995/96 year included completion of the acquisition of MAF Fisheries Research in July 1995. This encompassed the purchase of the fisheries research vessels *Tangaroa* and *Kaharoa*, establishment of a vessel owning and operating subsidiary company and integration of MAF Fisheries staff and establishment with the rest of NIWA. Following on from this a fisheries research contract was concluded for the 1995/96 year with the Ministry of Fisheries and a satisfactory business relationship developed. Positive steps were taken to build a positive long term relationship with the fishing industry and to present the case for a credible ongoing stock assessment research programme to underpin the sustainability of New Zealand's fisheries.

In line with the commitment made last year NIWA is in the process of establishing joint post-graduate Centres of Excellence with five New Zealand universities. Agreements have now been signed or largely completed for the establishment of all five Centres: Fish Biology and Fisheries (University of Auckland), Coastal Oceanography and Marine Geology (University of Waikato), Atmospheric and Climate Research (Victoria), Aquaculture and Marine Ecology (Canterbury), Chemical and Physical Oceanography (Otago). The major goals of the Centres will be to promote and enhance research excellence in core areas of NIWA's science, to train postgraduate students in areas in which New Zealand's need for quality graduates is growing, and to develop synergies between NIWA, the universities and industry.

A major commitment was made during the year as an outcome of our strategic asset funding strategy to establish a stable isotope mass spectrometer laboratory at Greta Point. This became operational in late 1995.

Following the fisheries merger NIWA's core research areas have now extended into marine fisheries biology, fisheries stock assessment and aquaculture production.

### ***Key Challenges***

Key issues facing NIWA over the next two years include:

- developing and diversifying fisheries research and aquaculture opportunities
- continuing to develop and implement business plans and science strategies to meet the growth opportunities in PGSF environmental and fisheries output classes (people, physical resources, funding)

- scientifically and financially viable operation of the research vessels through the subsidiary company, NIWA Vessel Management Ltd
- effectively and efficiently utilising staff resources to meet changing market and research demands.

In addition to key ongoing issues:

- enhancing NIWA's client relationships
- developing a strong personnel and capital equipment base for our core science areas
- building staff confidence in and commitment to NIWA as a commercial science business
- consolidating the unification of NIWA.

### ***Public Good Science Fund***

The Government's statement on priorities for the PGSF in response to the report of the Science Priorities Review Panel (June 1995) indicates that PGSF funding for environmental and fisheries research outputs will increase substantially over the period 1996-97 to 2000-01. NIWA is in a strong position to meet these opportunities, as a result of the unification of its science through the restructuring of August 1994, increases in PGSF and non-PGSF revenue achieved during the relatively difficult period of 1993-95, strategic use of funds (capital expenditure and NSOF-funded research, visiting scientists, postdoctoral, sabbatical and technical training), and the merger with MAF Fisheries Research. This position has been further consolidated in the 1996/98 Foundation bidding round which has seen NIWA increase its PGSF funding by 10.3% over the next two years.

### ***Organisational Structure***

NIWA's main locations are at Wellington (Greta Point), Hamilton, Christchurch, Auckland, Lauder and Nelson. The Executive comprises the Chief Executive, Research Director, Director of Fisheries Research, General Manager (Human Resources), General Manager (Finance) and Director of Operations. Regional Managers at each location report to the Director of Operations and are responsible for the implementation of policies and delivery of scientific and commercial outputs. Project management forms the basis of NIWA's operations, with budgeting, financial and line control of staff by project.

This single unified organisational structure facilitates multidisciplinary science, separates policy from delivery, provides a direct and consistent interface between policy development and implementation, promotes consistent application of strategies and policies, and enables common standards and culture to be developed across the whole company.

### *Vessel Ownership*

A subsidiary company, NIWA Vessel Management Ltd, has been established to own and operate the two research vessels *Tangaroa* and *Kaharoa* acquired from MAF Fisheries Research. The transparency achieved by the separation is most important from the point of view of the fishing industry. Concern exists over the declining commitment to fisheries research over the last two years which impacts directly on vessel sea days. The vessels only remain viable through the addition of NIWA's own ocean and marine science programme from the Public Good Science Fund. Alternative charter opportunities will be actively sought to ensure that the fullest possible use is made of the vessels.

## 1. MISSION

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

Our mission is:

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

We are committed to:

- maintaining and enhancing NIWA's position as New Zealand's **leading provider** of atmospheric and aquatic science
- directing our science principally towards providing the basis for **sustainable resource management**, with the intention of providing a strong knowledge base to assist in the implementation of New Zealand's Resource Management Act, **sustainable management of fisheries** and finding solutions to broader **global environmental concerns**
- producing **high quality science**, delivering **scientific services** to high professional standards, and positioning ourselves to exploit **new opportunities** as they arise
- developing and maintaining the **science capabilities** needed to achieve the priorities set for the Public Good Science Fund
- operating with financial efficiency to ensure that we generate the surpluses needed to develop our business and provide an adequate **return on shareholders' funds** to maintain the Institute's financial viability
- developing strong **multidisciplinary** research and the ability to work in large, integrated teams on difficult environmental problems, leading to outcomes which improve New Zealand's ability to manage our aquatic and atmospheric **environment** and associated resources such as **fisheries**
- 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
- recognising the principles of the **Treaty of Waitangi** in formulating and undertaking research programmes.

## **2. CORE BUSINESS**

### **2.1 Key Competencies**

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
- measurement of fish abundance and productivity
- marine and freshwater aquaculture
- development of criteria for environmental standards
- population modelling and the assessment of risk
- 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 marine, estuarine, river and lake ecosystems
- repair and rehabilitation of aquatic ecosystems
- development of marine natural products with chemotherapeutic, industrial and agricultural applications
- design and servicing of 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



## 2.2 Core Research Areas

NIWA's core research areas are:

- **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
- **fisheries research**, including fisheries biology and ecology, population dynamics, fisheries modelling and stock assessment, fisheries genetics and pathology, and assessment of impact of fishing activities on non-target species
- **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
- **aquaculture production research**, including life histories, hatchery technology, field technology, disease management and stock enhancement

### 3. BUSINESS POLICIES

NIWA is committed to the principles of operation as stated in section 5 of the Crown Research Institutes Act 1992:

- (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.

## 4.0 BUSINESS STRATEGIES

NIWA's business strategies include

- conducting multidisciplinary science which further establishes nationally and internationally recognised expertise in water, atmospheric and fisheries science and consolidates NIWA's position as New Zealand's leading provider of research and related services in these fields
- promoting NIWA's research with a view to its application, leading to outcomes which improve New Zealand's ability to manage fisheries resources and the environment
- consolidating the unification of NIWA as a commercial science business with high staff morale, confidence in senior management, long-term retention of staff and a high level of staff "ownership" of the company
- providing a premium level of innovative and specialised service to clients
- providing for the professional and career development of staff and ensuring that appropriately qualified staff are available where and when required
- recognising the principles of the Treaty of Waitangi in formulating and undertaking research programmes
- achieving strong financial performance and retaining profits by reinvesting in personnel, infrastructure improvement and strategic capital.

## 5. PERFORMANCE MEASURES AND TARGETS

### *Financial Performance*

NIWA is operating as a commercially viable organisation and continues to perform satisfactorily with its return ratios:

- 1995-96 NPAT return on equity 10.0% (1996-97 forecast 7.8%)
- 1995-96 EBIT on assets employed 11.5% (1996-97 forecast 9.9%)

The decline in these two ratios from 12.9 - 13.0% in 1994-95 reflects NIWA's increased capitalisation following the purchase of the assets of MAF Fisheries Research, of which the vessels are the major component and the serious reduction that will take place in fisheries research vessel revenue in 1996/97 as a result of the decision by the Minister of Fisheries to cut back research programmes requiring vessel days..

NIWA is conservatively funded:

- 1995-96 proprietorship rate 76.7% (1996-97 forecast 83.9%)

The decline in the rate from 92.9% in 1994-95 reflects the debt taken on during the year to fund the purchase of the research vessels.

NIWA will continue to fulfill the institute's financial obligations as specified in section 5 of the Crown Research Act 1992, viz.:

- 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"

We aim to achieve the following specific targets:

	Budget 1995/96	Budget 1996/97	Forecast 1997/98	Forecast 1998/99
Revenue (\$000s)	58,173	58,447	59,851	61,313
Operating expenses & depreciation (\$000s)	53,386	54,173	55,483	57,393
Operating profit before tax (\$000s)	4,787	4,274	4,368	3,920
Net profit after tax (\$000s)	3,363	2,864	2,927	2,627
Total assets (\$000s)	50,247	50,071	53,017	55,674
<b>Productivity</b>				
Revenue per scientist & technician (\$000s)	125.92	124.36	124.69	125.13
Ratio of revenue to personnel costs	1.97	1.93	1.92	1.90
Operational staff per support staff	5.63	5.60	5.58	5.51
<b>Profitability</b>				
Operating profit margin (%)	8.23	7.31	7.30	6.39
Return on equity (%)	10.01	7.85	7.43	6.25
Return on assets (%) (EBIT/Total assets)	11.55	9.93	9.56	8.30
<b>Liquidity and Efficiency</b>				
Current ratio	1.37	0.97	1.36	1.75
Liquidity ratio	1.20	0.81	1.19	1.58
Creditors' days	28.07	31.28	31.58	31.56
Non-FRST/Non-MFish work in progress days	6.46	5.14	4.87	4.52
Non-FRST/Non-MFish debtor days	24.10	29.93	30.42	30.42
<b>Financial Leverage</b>				
Debt to equity (%)	23.26	16.10	15.09	14.28
Proprietorship (%)	76.74	83.90	84.91	85.72
<b>Diversification (%)</b>				
Non-FRST & Non-MFish /Total Revenue (%)	21.86	27.31	28.18	29.66

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

See appendix 1 for financial projections.

## *Non-Financial Performance*

In 1996-97 NIWA will adopt the following non-financial performance indicators for assessment of performance in relation to the principles of operation of the Crown Research Institutes Act 1992 (see section 3 of this Statement of Corporate Intent):

NIWA's Annual Report for 1996/97 will include

### *Benefits to New Zealand*

An outline of the extent of services provided to the Foundation (PGSF science, TBG), other New Zealand purchasers and purchasers outside New Zealand. This will include a summary of the major benefits for New Zealand which flow from NIWA's activities, including specific reference to three key issues, climate change, marine fisheries stock assessment, and sustainability of land development practices as assessed through impacts on aquatic ecosystems.

### *Excellence*

A review of NIWA's project management and staff performance assessment systems, which are being developed as key processes to achieve business excellence. These will be assessed against performance criteria of 95% of projects delivering contracted outputs on time, within budget and to the required quality, and all permanent employees provided with clear and achievable objectives and objective performance reviews on an annual basis. In addition, comments will be made on any independent reviews of the quality of NIWA's science conducted during the year.

### *Ethics*

A narration outlining the management processes in place that are intended to ensure that NIWA complies with applicable ethical standards and noting any departures from these standards with proposed or applied remedies.

### *Application of Research/Technology*

A statement of the extent of revenue derived from non-PGSF research and development contracts which expressly provide for the provision of technology/science services to the community, and an assessment of the percentage of PGSF programmes which have met technology transfer objectives (performance criterion: 95%).

### *Good Employer*

A commentary on the extent to which quality assurance systems are in place with respect to health and safety, human resources, Equal Employment Opportunity and training.

### *Social Responsibility*

A statement outlining what NIWA has done to exhibit a sense of social responsibility, including specific comments on NIWA's efforts to promote and foster science in New Zealand society.

*Human Capital*

An outline of the size of the group of key staff critical to NIWA's continuing viability and changes in the size and composition of this group. This is an additional performance indicator to those related to the principles of operation of the Crown Research Institute Act 1992.

## 6. POLICY STATEMENTS

### 6.1 *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.

### 6.2 *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.

### 6.3 *Dividend Policy*

The Institute awaits negotiation with the shareholder over the level of dividend required. This will be determined by the level of surplus funds available which will be determined each year by reference to:

- \* Our medium and long term capital expenditure programmes
- \* Our replacement cost provisions for the research vessels
- \* Our working capital requirements

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

However, until the Institute has established itself on a firm basis in respect of fisheries research, with secure sources of income from a broad mix of clients, the board does not consider any distribution should be made. With a legacy of serious capital underspending in science prior to the establishment of the CRIs, 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. Consideration should be given to paying an initial dividend in three years time from the 1998/99 year.



#### 6.4 Treasury Policy

- (a) The Board will;
- Approve finance plans when budget for the year is approved;
  - Set minimum and maximum limits when the budget for the year is approved;
  - Approve any maturities in excess of one year;
  - Approve allowable foreign exchange currency instruments and counterparts;
  - Approve allowable NZA instrument and counterparts;
  - Approve liquidity limits incorporating funding facilities when the budget for the year is approved.
- (b) New bank accounts require approval of the Chief Executive Officer plus the General Manager - Finance, but must be ratified by a subsequent Board meeting.
- (c) The Chief Executive, plus the General Manager - Finance, are authorised to:
- Sign negotiable instruments;
  - Borrow funds from approved Finance Institutions, within specific parameter set by the Board;
  - Invest surplus funds with the Finance Institutions approved by the Board.
  - To arrange fixed and floating debt up to the maximum limits set by the Board;
  - To structure maturities of debt up to a maximum of one year as decreed appropriate given yield curves, debt requirements and interest rate outlook trends. Dealing may be further delegated to the Corporate Accountant subject to reporting requirements.
  - To enter foreign transactions above NZ\$2million.
  - To approve the use of fixed floating mix by synthetic instruments, but terms of any contract not to exceed one year without Board approval. The approval to cover up to 100% of total debt.
- (d) The General manager - Finance has the authority to:
- Enter into Foreign exchange transactions up to NZ\$2million.

- Add new signatories to bank accounts.
  - Deleting signatories from bank accounts.
  - Open new bank accounts.
  - Close bank accounts.
- (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, ie. the appropriate approvals for the asset purchase must be obtained.
- (h) The Corporate Accountant has the authority to:
- Enter into foreign exchange transactions up to NZ\$100,000.

## **6.5 *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.

## **6.6 *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.

### **6.7 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.

### **6.8 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 resource CRIs and with the Meteorological Service of New Zealand Ltd. It will also pursue cooperation in marine work with the Royal New Zealand Navy. NIWA has now signed Memoranda with Canterbury, Victoria and Otago Universities for the establishment of joint post graduate Centres of Excellence. Similar agreements are being negotiated with Auckland and Waikato Universities.

NIWA recognises the need to establish an effective relationship with iwi. The merger with MAF Fisheries Research has broadened this need, in view of the fundamental importance of fisheries to Maori. NIWA will identify key areas of its work of specific relevance to Maori in consultation with tribal groups throughout the country, and develop a plan in collaboration with iwi which enables NIWA to provide appropriate and relevant science for different tribes.

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 include:

- \* Scientific Committee on Oceanic Research
- \* WESTPAC National Focal Point

- \* Biography 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 Specialist Group Species Survival Commission, 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
- \* Southern Bluefin Tuna Commission
- \* Commission for the Conservation of Antarctic Marine Living Resources

## **6.9 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
- \* Freshwater Fisheries 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.

## 7. INFORMATION REPORTING

The Institute has established 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.

## 8. COMMERCIAL VALUE OF THE CROWN'S INVESTMENT

Shareholders funds include issued shares, reserves and retained earnings. The value of the Crown's investment as represented by shareholders funds are:

	June 1994	June 1995	Forecast June 1996
	000	000	000
Opening Shareholders Funds	11,680	13,163	24,799
Retained Earnings for year	1,483	2,113	7,842
Vessel Replacement			970
Closing Shareholders Funds	\$13,163	\$15,276	\$33,611
External Debt	\$ 1,070	\$ 1,070	\$ 7,000

Valuation of the Institute agreed at time of asset transfer (July 1993) was \$12.3m net of provision for restructuring costs.

The Institute acquired the assets and undertaking of MAF Fisheries Research on 1 July 1995 and the research vessels in November 1995 for a total of \$25.0m.

The directors previously planned to conduct a full review of the commercial value of the Company at the end of the 1995/96 year, 12 months following the fisheries research merger. The major reduction that has since taken place in the 1996/97 fisheries research contract has led the directors to defer the revaluation until the end of the current year when it is expected a review of strategic research priorities will have been undertaken by the Ministry of Fisheries in consultation with stakeholders.

This should lead to greater certainty over future fisheries research revenues based on multi-year programmes allowing a more realistic valuation to be determined.

The vessel company is also implementing EVA reporting and the use of this technique will be applied to the commercial valuation of that company.

Thereafter the board expect to conduct a valuation review every two to four years or whenever there is considered to be a material change in the value of the Crown's investment.

.....  
**Don Sollitt**  
**Chairman**  
**May 1996**

## **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  
Alexander Laing  
Nicholas Jarman  
Dr John Montgomery  
Dr Brian Rhoades  
Dr Donald Thompson

Chairman  
Deputy Chairman

### **CHIEF EXECUTIVE**

Paul Hargreaves

### **COMPANY SECRETARY**

Dene Biddlecombe

### **SOLICITORS**

Bell Gully Buddle Weir

### **AUDITORS**

Deloitte Touche Tohmatsu

### **BANKERS**

National Bank of NZ Ltd

### **INSURERS**

Alexander & Alexander

### **REGISTERED OFFICE**

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