

**NIWA**

*Taihoru Nukurangi*

**Half yearly report**

**for the 6 months  
ended 31 December 1999**

**National Institute of Water and Atmospheric Research Limited**

## **REPORT TO THE SHAREHOLDER FOR THE HALF YEAR ENDED 31 DECEMBER 1999**

### **Financial Results**

NIWA has recorded a consolidated pre-tax profit of \$697k for the half year to 31 December 1999 against \$1,160k for the same period in the previous year. Net profit after tax for the period was \$452k against \$767k in the previous year. Operating revenues totalled \$31.425m compared with \$30.327m in the first half of the 1998/99 year. Expenses overall have remained within budget, and at this stage the Directors have every expectation that NIWA will meet its end of year pre-tax profit target of \$6.3m.

### **Public Good Science Fund**

The Institute has completed the major task of recasting its science portfolios in line with the Foundation's new Strategic Portfolio Outlines. Discussions are now taking place with the Foundation, the aim being to finalise contract negotiations in May/June in time for the 2000/01 year. The outcome of this exercise is critical to NIWA in confirming future science directions and related funding.

### **Fisheries**

The majority of fisheries research tenders called by the Ministry of Fisheries continue to be won by NIWA. A high proportion of projects which are carried out by other providers contain significant NIWA input as partners or subcontractors. The process of research planning and tendering continues to increase in complexity, and decisions on many projects have been delayed to the point where significant problems with resource planning are now being faced by research providers such as NIWA, particularly with staff and vessel commitments.

Further developments are taking place in our relationships with the fishing industry and other fisheries stakeholders. NIWA has undertaken an increasing number of projects identified by the Ministry of Fisheries as required services by way of direct purchase by industry groups during 1999. In addition, we are increasingly being directly contracted to carry out other fisheries research tasks by stakeholder groups.

### **Maori**

A new Memorandum of Understanding with the Tuwharetoa Maori Trust Board was formally signed with the Chairman and Paramount Chief, Tumu Te Heuheu, on 24 November in Hamilton. This has strategic significance to NIWA, particularly in relation to work we undertake with the new hydro generation companies in the Waikato region.

### **NIWA Vessel Management Limited**

The Vessel Company has performed very well in the first half year. Budget revenues have been exceeded as a result of winning a major contract let by Land Information New Zealand for the survey of the first section of New Zealand's continental shelf delineation project to the northeast of New Zealand. This required a 5 week deployment of the RV *Tangaroa* in the region of the Colville Ridge, between New Caledonia and New Zealand, which was successfully undertaken in September/October.

In October a charter contract was successfully concluded with the Antarctic Division of the Australian Department of the Environment for *Tangaroa* to undertake a voyage in February/March 2000 as part of the Australian Antarctic programme to study the Antarctic continental slope off the Wilkes Land coast. At the request of the Ministry of Foreign Affairs and Trade, the Master and Officers of *Tangaroa* were designated Inspectors under the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR) for the purpose of the voyage, as part of the campaign against illegal catching of toothfish.

A further contract has been awarded to NIWA by LINZ to undertake the hydrographic survey of the Three Kings Islands utilising the RV *Kaharoa* in May 2000.

### **NIWA (USA) Inc.**

NIWA's commitment to develop international work opportunities in the United States is aimed at countering the limitations of our New Zealand markets by developing external opportunities for our high level environmental research and consultancy services. To this end we have formed important linkages with four leading US environmental research organisations which will open the way for exchanges of research personnel, enabling fresh knowledge to be brought to bear in a range of oceanographic, fisheries, aquaculture, and coastal environment issues facing New Zealand. Environmental science has reached a level where no single organisation can hope to command all the knowledge on its own. The arrangement will also provide NIWA scientists with valuable career development opportunities by working for extended periods in the US with organisations with similar science portfolios to NIWA, and of comparable size.

A wholly owned subsidiary company is now established and a board appointed. The board comprises four NIWA representatives together with Professor Robert Ward, Director of the Colorado Water Resources Institute, Colorado State University, and Professor Bob Whitlatch, Head of the Department of Marine Sciences, University of Connecticut. The board is chaired by Don Sollitt, Chairman of NIWA. A Business Plan for NIWA (USA) Inc. for the 2000/01 year and beyond is now being prepared for consideration by the board.

### **Management Structure**

NIWA's growth and development over 5 years has been such that the management structure needed to be strengthened. This has been done by increasing the existing Executive team, which hitherto consisted of the Chief Executive; Dr Rod East, Director of Operations; Dr Rick Pridmore, Research Director; Dr John McKoy, Director of Fisheries Research; and Dene Biddlecombe, General Manager – Finance. Three new positions have been created and have been taken up by senior NIWA managers. They are: Director (Business Development), Dr Bryce Cooper; Director (Research Development), Dr Rob Murdoch; and Director (Educational Programmes), Dr Clive Howard-Williams. Dr East has been appointed Deputy Chief Executive (Operations), and Dr Pridmore Deputy Chief Executive (Strategic Development).

### **National Climate Centre**

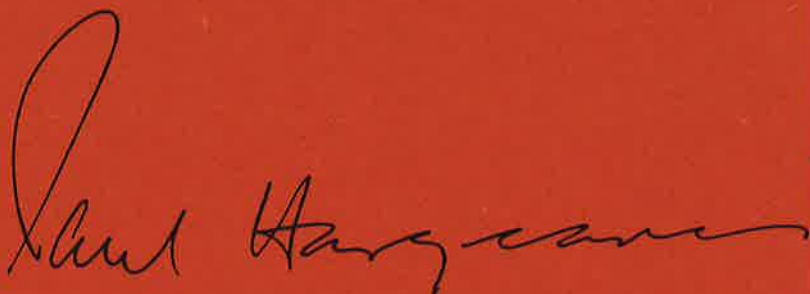
Production of the monthly *Climate Update* and *The Southern Climate and Pasture Outlook* continues. Our NCC presenters give public talks to groups around the country in support of these updates.

### **Outlook**

NIWA remains fully committed with a wide range of PGSF, Ministry of Fisheries, and commercial work, and anticipates another successful year.



**Don Sollitt**  
**Chairman**



**Paul Hargreaves**  
**Chief Executive**

**February 2000**

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE SIX MONTHS ENDED 31 DECEMBER 1999**

	6 mths to Dec 99 (\$000s)	6 mths to Dec 98 (\$000s)	12 mths to Jun 99 (\$000s)
Revenue	31,425	30,327	64,806
Interest revenue	205	117	333
Audit Fees & Expenses	30	30	52
Depreciation	3,514	3,233	6,575
Directors' Fees	65	67	132
Leasing/Rental Expenses	383	344	773
Interest Expense	-	-	-
Other Expenses	<u>26,941</u>	<u>25,610</u>	<u>50,570</u>
<b>Surplus (Deficit) Before Tax</b>	<b>697</b>	<b>1,160</b>	<b>7,037</b>
Provision for Taxation	<u>245</u>	<u>393</u>	<u>2,344</u>
<b>Surplus after Taxation</b>	<b><u>452</u></b>	<b><u>767</u></b>	<b><u>4,693</u></b>

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 1999**

	6 mths to Dec 99 (\$000s)	6 mths to Dec 98 (\$000s)	12 mths to Jun 99 (\$000s)
<b>Opening Equity</b>	<b>46,349</b>	<b>41,656</b>	<b>41,656</b>
Net Surplus for Period	452	767	4,693
Less Transfer to Vessel Replacement Reserve	<u>(485)</u>	<u>(485)</u>	<u>(970)</u>
<b>Net Movement in Retained Earnings</b>	<b>(33)</b>	<b>282</b>	<b>3,723</b>
Increase in Vessel Replacement Reserve	<u>485</u>	<u>485</u>	<u>970</u>
<b>Closing Equity</b>	<b><u>46,801</u></b>	<b><u>42,423</u></b>	<b><u>46,349</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 1999**

	6 mths to Dec 99 (\$000s)	6 mths to Dec 98 (\$000s)	12 mths to Jun 99 (\$000s)
<b>Current Assets</b>			
Cash & Liquid Securities	11,195	4,567	5,596
Debtors & Prepayments	4,288	5,727	5,927
Income Tax Receivable	814	292	305
Inventory & WIP	<u>867</u>	<u>1,155</u>	<u>1,645</u>
<b>Total Current Assets</b>	<b><u>17,164</u></b>	<b><u>11,741</u></b>	<b><u>13,473</u></b>
<b>Non Current Assets</b>			
Deferred Tax	630	473	595
Fixed Assets	<u>44,731</u>	<u>41,884</u>	<u>43,704</u>
<b>Total Non Current Assets</b>	<b><u>45,361</u></b>	<b><u>42,357</u></b>	<b><u>44,299</u></b>
<b>TOTAL ASSETS</b>	<b><u>62,525</u></b>	<b><u>54,098</u></b>	<b><u>57,772</u></b>
<b>Current Liabilities</b>			
Trade Creditors	4,372	3,654	3,291
Staff Entitlements	3,131	3,456	3,704
Revenue in Advance	6,165	2,529	2,397
Repair Accrual	<u>-</u>	<u>130</u>	<u>-</u>
<b>Total Current Liabilities</b>	<b><u>13,668</u></b>	<b><u>9,769</u></b>	<b><u>9,392</u></b>
<b>Non Current Liabilities</b>			
Repair Provision	511	303	510
Retirement Leave Provision	<u>1,545</u>	<u>1,603</u>	<u>1,521</u>
<b>Total Non Current Liabilities</b>	<b><u>2,056</u></b>	<b><u>1,906</u></b>	<b><u>2,031</u></b>
<b>Total Liabilities</b>	<b>15,724</b>	<b>11,675</b>	<b>11,423</b>
<b>Equity</b>			
Issued and Paid Up Capital	24,799	24,799	24,799
Retained Earnings (Note 3)	17,637	14,229	17,670
Vessel Replacement Reserve	<u>4,365</u>	<u>3,395</u>	<u>3,880</u>
<b>Total Equity</b>	<b><u>46,801</u></b>	<b><u>42,423</u></b>	<b><u>46,349</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>62,525</u></b>	<b><u>54,098</u></b>	<b><u>57,772</u></b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 1999**

	6 mths to Dec 99 (\$000s)	6 mths to Dec 98 (\$000s)	12 mths to Jun 99 (\$000s)
<b>From Operating Activities</b>			
Cash was provided from:			
- Receipts from customers	41,662	33,449	67,341
- Interest received	205	117	306
Cash was disbursed to:			
- Payments to staff and suppliers	(31,002)	(25,076)	(50,939)
- Income tax paid	(791)	(725)	(2,811)
- Interest paid	—	—	—
<b>Operating Net Cash Flow</b>	<b>10,074</b>	<b>7,765</b>	<b>13,897</b>
<b>From Investing Activities</b>			
Cash provided from/(applied to):			
- Sale of Fixed Assets	87	59	131
- Purchase of Fixed Assets	<u>(4,562)</u>	<u>(2,752)</u>	<u>(7,927)</u>
<b>Investment Net Cash Outflow</b>	<b>(4,475)</b>	<b>(2,693)</b>	<b>(7,796)</b>
<b>From Financing Activities</b>			
Cash provided from/(applied to):			
- Proceeds of Term Debt Issued	—	—	—
- Settlement of Term Debt	—	—	—
<b>Financing Net Cash Flow</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Cash Flow</b>	<b>5,599</b>	<b>5,072</b>	<b>6,101</b>
Opening Cash Position	<u>5,596</u>	<u>(505)</u>	<u>(505)</u>
<b>Closing Cash Position</b>	<b><u>11,195</u></b>	<b><u>4,567</u></b>	<b><u>5,596</u></b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 1999 (continued)**

**RECONCILIATION OF SURPLUS AFTER TAXATION  
TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	6 mths to Dec 99 (\$000s)	6 mths to Dec 98 (\$000s)	12 mths to Jun 99 (\$000s)
<b>Surplus after Taxation</b>	452	767	4,693
<b>Add/(Less) Items Classified as Investing Activities</b>			
Net (gain) on disposal of assets	(65)	(24)	(82)
<b>Add Non-Cash Items</b>			
Depreciation	3,514	3,233	6,575
Increase in Retirement Leave Accrual	24	18	(64)
(Increase)/Decrease in Deferred Tax Asset	(35)	(383)	(505)
Increase/(Decrease) in Repair Provisions	<u>-</u>	<u>50</u>	<u>257</u>
	<u>3,503</u>	<u>2,918</u>	<u>6,263</u>
<b>Add/(Less) Movements in Working Capital Items</b>			
(Increase)/Decrease in Debtors and Prepayments	1,640	2,015	1,815
Increase/(Decrease) in Creditors and Accruals	4,279	1,724	1,477
(Increase)/Decrease in Inventory and Contract WIP	775	485	(6)
(Increase)/Decrease in Income Tax Provision	(510)	50	37
Increase/(Decrease) in Repair Accrual	<u>-</u>	<u>(170)</u>	<u>(300)</u>
	<u>6,184</u>	<u>4,104</u>	<u>3,023</u>
<b>Net Cash Flow From Operating Activities</b>	<u><b>10,074</b></u>	<u><b>7,765</b></u>	<u><b>13,897</b></u>



## CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### STATEMENT OF ACCOUNTING POLICIES

#### 1. Accounting Policies

There have been no changes to the accounting policies stated in the 1999 annual report.

These policies have been consistently applied during the six month period.

These interim financial statements have been prepared under the requirements of FRS-24: Interim Financial Statements. They should be read in conjunction with the 1999 annual financial report.

#### (a) Basis of Consolidation — Purchase Method

The consolidated financial statements include the holding company and its wholly owned subsidiaries (NIWA Vessel Management Limited and NIWA (USA) Inc.), accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation.

2. The financial statements for the six months ended 31 December 1999 and for the comparative six month period to 31 December 1998 are unaudited. The comparative figures for the year ended 30 June 1999 are extracted from the audited financial statements at that date.

#### 3. Retained Earnings

	6 mths to Dec 99 (\$000s)	6 mths to Dec 98 (\$000s)	12 mths to Jun 99 (\$000s)
Opening Balance	17,670	13,947	13,947
Net Surplus for Year	452	767	4,693
Transferred to Vessel Replacement Reserve	(485)	(485)	(970)
<b>Closing Balance</b>	<b><u>17,637</u></b>	<b><u>14,229</u></b>	<b><u>17,670</u></b>

## **NIWA DIRECTORY**

### **Board of Directors**

Don Sollitt, *Chairman*

Alex Laing, *Deputy Chairman*

Dr John Montgomery

Paul Morgan

Dr Brian Rhoades

Dr Don Thompson

### **Executive Management**

Paul Hargreaves, *Chief Executive*

Dr Rod East, *Deputy Chief Executive (Operations)*

Dr Rick Pridmore, *Deputy Chief Executive (Strategic Development)*

Dr Bryce Cooper, *Director (Business Development)*

Dr John McKoy, *Director (Fisheries Research)*

Dr Rob Murdoch, *Director (Research Development)*

Dr Clive Howard-Williams, *Director (Educational Programmes)*

Dene Biddlecombe, *General Manager — Finance and Company Secretary*

### **Lawyers**

Bell Gully Buddle Weir

### **Auditors**

Deloitte Touche Tohmatsu on behalf of the Office of the Controller and Auditor-General

### **Bankers**

The National Bank of New Zealand Limited

### **Insurers**

Marsh Limited

### **Registered Office and Address for Service**

269 Khyber Pass Road, Newmarket, Auckland

### **NIWA on the Web**

<http://www.niwa.cri.nz>

## **PRINCIPAL OFFICES**

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