



**Half Yearly Report
for the 6 months ended
31 December 2002**

**National Institute of Water & Atmospheric Research Ltd
and Group**

NIWA Library

28 FEB 2003

PO Box 14-901
Wellington NZ

HALF YEARLY REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2002

Financial results

NIWA has recorded a net profit before tax of \$2,006k for the 6 months to 31 December 2002, against a budgeted profit of \$1,090k. Profit after tax was \$1,241k (597k).

NIWA is on target to meet its public good science, fisheries research, and commercial consulting revenue targets for the full year. Expenses are within budget. The research vessels are heavily committed throughout the 2002/2003 financial year.

New Chief Executive and management structure

A new Chief Executive (Dr Rick Pridmore) and Executive Team have been appointed and are now settled in and working as an effective unit. The new Executive Team consists of three Directors (who set NIWA's strategic and operational goals), the Chief Financial Officer, and six General Managers (who cover key science portfolios essential to NIWA's development). One of the three Directors has also been appointed as Director of our vessels management company.

Māori Development

A "Memorandum of Understanding" was signed with the Hauraki Māori Trust Board at a hui in Paeroa during December 2002. This Memorandum establishes a Joint Working Group with the mandate to develop partnership projects and training in areas of mutual interest (e.g., fisheries, aquaculture, kai moana restoration). In recent years we have established relationships with more than 50 iwi. These relationships are providing a sound basis for delivering outcomes of benefit to Māori.

Fisheries and Aquaculture

Sealord have officially come on board at our Bream Bay Aquaculture Park. We are working together on mussel broodstock development and nursery rearing of spat. We are also working with Sealord and their Japanese partner Nissui to develop aquaculture techniques to rear groper.

An acoustic survey of spawning hoki off the east coast of the South Island was completed jointly with Independent Fisheries Limited (IFL). The survey was carried out by NIWA scientists from the IFL vessel *Independent 1*, and was funded directly by industry. It covered fishing grounds in areas of the Clarence River, Conway Trough, and Pegasus Canyon. Good marks of spawning fish were found in one region, and initial acoustic results look promising.

Biodiversity and Biosecurity

A grant has been obtained from the Terrestrial and Freshwater Biodiversity Information Systems Fund, administered by the Department of Conservation (DoC), to create on-line access to freshwater biological databases and related information and analysis tools. The need for the project was confirmed by a series of DoC-sponsored end-user workshops, and the access will remove a significant impediment to achieving the outcomes of the Government's Biodiversity Strategy.

NIWA and Te Papa have received funding from the Ministry of Fisheries and the National Oceans Office, Australia, for RV *Tangaroa* to conduct a deepwater benthic biodiversity survey along the Norfolk Ridge-Lord Howe Rise in May 2003.

We will develop an operational plan for DoC to contain *Hydrilla* in four lakes in the Hawkes Bay region. *Hydrilla* is an invasive, submerged aquatic macrophyte, with a worldwide reputation as the worst submerged weed. It poses a significant threat to other New Zealand lakes and waterways.

Atmosphere, Climate, and Natural Hazards

The joint NIWA/GNS *Natural Hazards Centre* was successfully launched at a recent National Hazards Conference. The concept has received strong support from central government agencies and hazard practitioners. The Centre, which combines the skills, environmental monitoring networks, and databases of NIWA and GNS, is seen as a powerful provider of research-based solutions for hazard identification, planning, and warning needs.

A "Memorandum of Understanding" and a "Science Data Agreement" with the New Zealand Meteorological Service were signed in October 2002.

Funds have been received from the Health Research Council to work on the "Health Effects of Air Pollution". This is our first large project with the Health Research Council and has helped greatly in forming strong links between environmental scientists and health researchers. Other organisations working with us on the project are the Australian National University, Wellington School of Medicine, Christchurch School of Medicine, University of Canterbury, and Landcare Research.

Freshwater

Our National Centre for Water Resources, which was established in April 2002, is proving very successful in bringing different organisations together and increasing access to information. The Centre is partially supported by the Ministry for the Environment. Flood forecasting tools being developed by the Centre are presently being tested by three regional councils. Another major focus of the Centre is water supply.

Marine

NIWA assisted the Maritime Safety Authority in dealing with the emergency created in Bluff Harbour by the grounding of the vessel *Tai Ping*, laden with urea and heavy fuel oil. NIWA scientists using our new coastal modelling package were able to create and run a pollutant dispersion model of the harbour within 24 hours. This information was critical to the decisions made on the timing of the salvage efforts and the contingencies put in place to deal with a possible spill.

Research vessels

RV *Tangaroa* has had a very busy year. Over the last 6 months the vessel has been used to survey populations of orange roughy, southern blue whiting, and oreos, conduct seismic surveys for GNS, map active seafloor faulting, tidal scour, and sediment transport within the Cook Strait region, and much more. In between these voyages a new winch that carries 10 000 m of conducting cable was successfully installed on *Tangaroa*. This new winch will enable the vessel to deploy equipment to depths greater than 5000 m for the first time. In November 2002 *Tangaroa* was fully surveyed and found to be totally compliant with international maritime requirements. The hull was blasted back to bare steel, and new paint was applied. No material damage was found.

Retirement of key personnel

Mr Paul Hargreaves retired from the position of Chief Executive in August 2002. Dr Rod East retired from the position of Deputy Chief Executive (Operations) in December 2002. Both Paul and Rod played significant roles in making NIWA a successful organisation over the last 8 years. We thank them for all their hard work and enthusiasm and the high level of professionalism they routinely displayed.



Sue Suckling
Chair



Rick Pridmore
Chief Executive

February 2003

NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LTD AND GROUP
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE 6 MONTHS ENDED 31 DECEMBER 2002

	<i>Note</i>	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Revenue		<u>39,662</u>	<u>37,728</u>	<u>81,312</u>
Operating surplus before taxation	2	2,006	2,829	7,465
Taxation expense		<u>765</u>	<u>933</u>	<u>2,735</u>
Net surplus		<u>1,241</u>	<u>1,896</u>	<u>4,730</u>

The accompanying "Notes to the Financial Statements" are an integral part of, and should be read in conjunction with, this "Statement of Financial Performance".

NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LTD AND GROUP
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE 6 MONTHS ENDED 31 DECEMBER 2002

	<i>Note</i>	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Equity at the beginning of the year		42,115	56,435	56,435
Net surplus		1,241	1,896	4,730
Foreign currency translation reserve movement		<u>76</u>	<u>(174)</u>	<u>(50)</u>
Total recognised revenues and expenses		<u>1,317</u>	<u>1,722</u>	<u>4,680</u>
Dividends paid		-	-	(19,000)
Total contributions to shareholders		-	-	(19,000)
Equity at the end of the year		<u>43,432</u>	<u>58,157</u>	<u>42,115</u>

The accompanying "Notes to the Financial Statements" are an integral part of, and should be read in conjunction with, this "Statement of Movements in Equity".

NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LTD AND GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2002

	<i>Note</i>	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Current assets				
Cash and short-term deposits		1,285	11,822	887
Receivables and prepayments		10,409	9,925	10,901
Taxation receivable		958	131	450
Inventory & Contract WIP		<u>5,550</u>	<u>6,077</u>	<u>3,115</u>
Total current assets		<u>18,202</u>	<u>27,955</u>	<u>15,253</u>
Non-current assets				
Future income taxation benefit		747	795	767
Property, plant, and equipment		<u>46,626</u>	<u>46,723</u>	<u>46,978</u>
Total non-current assets		<u>47,373</u>	<u>47,518</u>	<u>47,745</u>
TOTAL ASSETS		<u>65,575</u>	<u>75,473</u>	<u>62,998</u>
Current liabilities				
Payables and accruals		4,546	4,850	4,872
Revenue in advance		7,228	5,325	3,438
Survey and repair provisions		-	-	267
Employee entitlements		4,730	4,513	5,910
Short-term advance facility		3,650	-	4,300
Total current liabilities		<u>20,154</u>	<u>14,688</u>	<u>18,787</u>
Non-current liabilities				
Employee entitlements		<u>1,989</u>	<u>2,111</u>	<u>2,096</u>
Total non-current liabilities		<u>1,989</u>	<u>2,628</u>	<u>2,096</u>
TOTAL LIABILITIES		22,143	17,316	20,883
Equity				
Share capital		24,799	24,799	24,799
Retained earnings	3	11,289	27,184	10,533
Vessel replacement reserve		7,275	6,305	6,790
Foreign currency translation reserve		<u>69</u>	<u>(131)</u>	<u>(7)</u>
Total equity		<u>43,432</u>	<u>58,157</u>	<u>42,115</u>
TOTAL LIABILITIES AND EQUITY		<u>65,575</u>	<u>75,473</u>	<u>62,998</u>

The accompanying "Notes to the Financial Statements" are an integral part of, and should be read in conjunction with, this "Statement of Financial Position".

NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LTD AND GROUP
STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 31 DECEMBER 2002

	<i>Note</i>	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Cash flows from operating activities				
Cash was provided from:				
• Receipts from customers		40,083	40,579	83,081
• Interest received		74	341	447
Cash was disbursed to:				
• Payments to employees and suppliers		(34,166)	(37,003)	(68,362)
• Taxation expense paid		(1,253)	(952)	(2,879)
Net cash inflow	4	4,738	2,965	12,287
Cash flows from investing activities				
Cash was provided from/(applied to):				
• Sale of property, plant, and equipment		114	92	394
• Purchase of property, plant, and equipment		<u>(3,804)</u>	<u>(5,627)</u>	<u>(11,486)</u>
Net cash outflow		(3,690)	(5,535)	(11,092)
Cash flows from financing activities				
Cash was provided from/(applied to):				
• Proceeds from/(to) short-term advance facility		(650)	-	4,300
• Dividends paid to shareholders		=	=	<u>(19,000)</u>
Net cash outflow		(650)	-	(14,700)
Net cash inflow/(outflow)		398	(2,570)	(13,505)
Opening cash balance		<u>887</u>	<u>14,392</u>	<u>14,392</u>
Closing cash balance		<u>1,285</u>	<u>11,822</u>	<u>887</u>

The accompanying "Notes to the Financial Statements" are an integral part of, and should be read in conjunction with, this "Statement of Cash Flows".

**NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LTD AND GROUP
NOTES TO THE FINANCIAL STATEMENTS**

1. Statement of accounting policies

There have been no changes to the accounting policies stated in the 2002 annual report. These policies have been consistently applied during the 6 months ended 31 December 2002.

These interim financial statements have been prepared under the requirements of FRS-24: Interim Financial Statements. They should be read in conjunction with the 2002 annual report.

(a) Basis of consolidation — purchase method

The financial statements are for the NIWA Group only. This comprises the Parent company (the National Institute of Water & Atmospheric Research Ltd) and its wholly owned subsidiaries (NIWA Vessel Management Limited, NIWA Australia Pty Ltd, NIWA Environmental Research Institute, and NIWA (USA), Inc.). The NIWA Group financial statements are accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation.

(b) Comparatives

The financial statements for the 6 months ended 31 December 2002 and for the comparative 6 month period to 31 December 2001 are unaudited. The comparative figures for the year ended 30 June 2002 are extracted from the audited financial statements at that date.

2. Operating surplus before taxation

	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
The operating surplus before taxation is stated after charging/(crediting):			
Interest revenue	(74)	(382)	(446)
Interest expense	115	-	-
Depreciation	4,125	3,884	9,318
Directors' fees	68	84	173
Renting and operating lease costs	626	613	883
Remuneration of auditor:			
Deloitte – audit fees	25	41	59
Deloitte – other services	12	17	47

3. Retained earnings

	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Balance at beginning of the year	10,533	25,773	25,773
Add net surplus	1,241	1,896	4,730
Less dividend payment	-	-	(19,000)
Less transfer to vessel replacement reserve	<u>(485)</u>	<u>(485)</u>	<u>(970)</u>
Balance at end of the year	<u>11,289</u>	<u>27,184</u>	<u>10,533</u>

4. Reconciliation of net surplus to net cash inflow from operating activities

	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Net surplus	<u>1,241</u>	<u>1,728</u>	<u>4,730</u>
Add/(less) items classified as investing activities			
Net loss/(gain) on disposal of property, plant, and equipment	(77)	(92)	(187)
Add/(less) non-cash items			
Depreciation	4,125	3,884	9,318
Unrealised changes in the value of subsidiaries	69	-	(87)
Increase/(decrease) in employee entitlements	(107)	(83)	(98)
Increase/(decrease) in survey and repair provisions	(267)	20	(230)
(Increase)/decrease in future income taxation benefit	<u>20</u>	<u>(168)</u>	<u>(140)</u>
	<u>3,840</u>	<u>3,653</u>	<u>8,763</u>
Add/(less) movements in working capital items			
Increase/(decrease) in payables and accruals	3,465	(2,126)	(3,985)
Increase/(decrease) in employee entitlements	(1,180)	127	1,524
(Increase)/decrease in receivables and prepayments	492	3,192	2,216
(Increase)/decrease in inventory and contract WIP	(2,535)	(3,833)	(771)
(Increase)/decrease in taxation receivables	<u>(508)</u>	<u>316</u>	<u>(3)</u>
	<u>(266)</u>	<u>(2,324)</u>	<u>(1,019)</u>
Net cash inflow from operating activities	<u>4,738</u>	<u>2,965</u>	<u>12,287</u>

5. Commitments

5a. Operating lease obligations

	6 mths to Dec 02 (\$000s)	6 mths to Dec 01 (\$000s)	12 mths to Jun 02 (\$000s)
Obligations payable after balance date on non-cancellable operating leases:			
Within 1 year	742	614	703
Between 1 and 2 years	714	558	667
Between 2 and 5 years	670	811	860
Over 5 years	2,869	2,527	2,945

5b. Capital commitments

Commitments for future capital expenditure:

Approved, but not contracted for	1,777	1,683	334
Contracted, but not provided for	<u>554</u>	<u>538</u>	<u>893</u>
	<u>2,331</u>	<u>2,221</u>	<u>1,227</u>

6. Contingent liabilities

There are no significant contingent liabilities that require disclosure in the financial statements.

NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LTD

DIRECTORY

BOARD OF DIRECTORS

Sue Suckling, *Chair*

Dr Carolyn Burns

Miranda Cassidy

John Hercus

David Sharp

Dr Graham Hill

Troy Newton

EXECUTIVE MANAGEMENT

Dr Rick Pridmore, *Chief Executive*

Dr Rod East, *Deputy Chief Executive (Retired December 2002)*

Dr Bryce Cooper, *Director (Strategic Development)*

Dr Mark James, *Director (Operations)*

Dr Rob Murdoch, *Director (Research)*

Dene Biddlecombe, *Chief Financial Officer & Company Secretary*

Dr Neil Andrew, *General Manager, Marine & Aquaculture*

Dr Clive Howard-Williams, *General Manager, Freshwater & Education*

Dr John McKoy, *General Manager, Fisheries & Bioactives*

Dr Murray Poulter, *General Manager, Atmosphere*

Dr Don Robertson, *General Manager, Biodiversity, Biosecurity, & Information Systems*

Dr Charlotte Sevrne, *General Manager, Māori Development*

Solicitors

Bell Gully Buddle Weir

Edmonds Marshall Burcher

Auditors

Deloitte Touche Tohmatsu on behalf of the Auditor-General

Bankers

The National Bank of New Zealand Limited

Insurers

Marsh Limited

Registered Office and Address for Service

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