



SCIENCE GUIDING OUR FUTURE



**Climate,
Freshwater &
Ocean Science**

Half Yearly Report

for the six months ended 31 December 2019

Overview

At the half year stage NIWA's key financial metrics are generally close to budget with variances being within the normal phasing variation experienced each year, including related to the mix of work performed from month to month. Revenue is below budget, largely due to the timing of work performed by collaborators on the two National Science Challenges that NIWA hosts, and mostly offset by lower costs.

All science objectives as outlined in the 2019/20 Statement of Corporate Intent are on track, and good progress has been made with the implementation of initiatives to improve NIWA's operational efficiency and effectiveness.

An ongoing focus on collaborating with other science providers has strengthened NIWA's research capability and supported the application of NIWA's science to industry and government agencies, as illustrated below.

Financial Results

NIWA's revenue in the first half of the year of \$68.910 million was \$5.966 million lower than the same period last year and \$5.791 million behind the budget of \$74.701 million. This was largely related to delays in work performed by collaborators on National Science Challenges that NIWA hosts and will not impact on full year profitability or cash flow. Loss after taxation of \$(2.866) million was \$0.887 million below budget.

Expenses were \$1.163 million lower than during the same period last year, and \$4.102 million lower than budgeted. This was due to decreased spending on subcontractors, and materials and supplies, and offsets the increased personnel costs and depreciation costs resulting from reassessments of assets' useful lives.

As at 31 December 2019, NIWA's cash balance was \$30.112 million (including other short-term investments) compared with a budget projection of \$23.824 million. This difference was due to the phasing of capital purchases planned for the year.

Financial KPIs

NIWA's financial KPIs for the first half of the year were broadly consistent with the budget set out in its Statement of Corporate Intent (SCI), as illustrated in the table below. Variances are within the normal phasing differences experienced each year compared with budget projections, with the exception of revenue and cash balance (refer earlier commentary).

Ratios and Statistics as at 31 December 2019

	Actual Year to date	SCI Year to date	SCI Full year
Revenue and other gains(\$000s)	68,911	74,701	165,327
Liquidity			
Current Ratio	1.40	1.22	1.30
Quick Ratio (aka Acid test)	3.69	2.38	1.92
Profitability (%)			
Adjusted Return on Equity*	(2.9)	(1.9)	4.8
Return on Equity	(2.3)	(1.6)	3.9
Return on Assets	(2.3)	(1.3)	4.4
Operational Risk (%)			
Profit Volatility	40.3	36.6	15.3
Forecasting Risk (non-adjusted ROE)	1.2	1.3	1.2
Coverage			
Interest Cover	N/A	N/A	N/A
Growth/Investment (%)			
Capital Renewal	52.5	138.1	129.3
Financial Strength (\$000s)			
Cash and Other Short Term Investments	30,112	23,824	19,927

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

Collaboration

End-user collaboration

Increased focus on the application of NIWA's science for the benefit of New Zealand has continued this year. Some examples of the benefits of this end-user collaboration are included in the *Positive impacts of NIWA Science* section below.

Research collaboration

One measure of the importance and scale of collaborative relationships NIWA has with many national and international organisations, in order to deliver our Core Purpose and ensure that we deliver internationally leading science, is the publication of jointly-authored papers.

A total of 119 papers were published involving NIWA staff during the first half of the year. Of these papers, 87% involved NIWA scientists collaborating with one or more other organisations.

At a **national** level, 50% of the total reflected collaboration with New Zealand organisations, the most frequent collaborations being with the University of Auckland, Victoria University of Wellington, University of Canterbury and GNS Science. These levels of collaboration are significantly above what would be indicated through conventional financial measures such as subcontracting, highlighting a diversity of collaborative models. In addition, there is demonstrable science collaboration with end-users, particularly Māori and government agencies (central and regional).

At an **international** level 69% involved collaboration with international organisations from 35 countries, most frequently with the USA (in 35% of *all* papers), UK (in 30% of papers), and Australia (in 29% of papers). The stability and consistency of these indicators in every quarter show that NIWA is deliberately collaborative—leading and participating in world-leading teams to undertake high-quality research for the benefit of New Zealand.

Technology and Knowledge transfer

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

End-user reports and presentations

NIWA completed 210 reports for end-users, which supported the information needs of a wide range of central and local government agencies, industry organisations (particularly in fisheries) and international agencies. Many of these reports were specifically focussed on the technical staff in stakeholder organisations, directly supporting their operations and influencing decision-making.

NIWA staff made 126 presentations at a wide variety of national and international conferences, workshops, seminars and meetings. There were many more informal presentations and discussions through which information was transferred.

Positive impacts of NIWA Science

NIWA's science covers a broad range of activities, as indicated by our National Centre structure (refer to the 2019/20 Statement of Corporate Intent). Some examples of how we have advanced science in our spectrum, and the resulting benefits to end-users, are given below.

Sea surface temperature (SST) changes and implications. In a recent paper on SST changes around New Zealand by NIWA and the University of Auckland, it was reported that almost all the surface ocean around New Zealand has warmed since 1981, with the strongest warming of about 0.3°C per decade occurring off the Wairarapa Coast, and the weakest along the northeast coast between North

and East Capes. Increased warmth is found in places to 200 m deep, and in the Tasman Sea to at least 850 m deep. This work on the potential consequences of such changes has resulted in invited presentations this quarter, in particular at the 2019 New Zealand Seafood Industry Conference and Technical Day, and to the Environmental Protection Authority. These findings challenge our understanding and ability to predict and reproduce (with models) not only these observed signals, but also the implications on future sea level rise and any biological response in the open and coastal waters around New Zealand.

Public education initiatives. Several NIWA staff, with colleagues from Victoria University of Wellington and University of Canterbury were part of a public outreach event run by the Wellington branch of the NZ Antarctic Society, and organised by NIWA. Children were kept busy with a polar tent, Antarctic clothing and colouring-in, while an immersive experience of diving deep under the ice with VR headsets proved popular. We offered edible ice cores to complement learning about weather and climate history from ice cores; live weather and webcams from Scott Base were shown, and an artist's perspective on data collection was offered. The Miramar Central School hall was buzzing with conversation and activity, and families connected with Antarctica and learned about research and career options they never knew existed. Overall, the day was a great success.

Another public event was the NIWA ocean science display, "Dive Deep into Ocean Science", being held in association with James Cameron – Challenging the Deep Exhibition at Otago Museum, which is attracting keen public interest. NIWA's large scale photographic and audio-visual display allows visitors to experience a virtual reality dive under the ice with NIWA scientists, see weird and wonderful creatures from the deep on display, and immerse themselves in ever-changing stunning ocean science imagery. Visitors can also lie back in the comfortable Planetarium armchairs and immerse themselves in a 360-degree dive under the ice and a 360o video of RV Tangaroa. Along with copies of a newly updated NIWA Invertebrate Collection (NIC) brochure 'Wonders of the Deep', a range of spectacular deep-sea creatures from NIC are displayed in the Beautiful Science Gallery during the 6-month exhibition (which runs until February 2020). To coincide with the exhibition opening, public talks were given by NIWA staff. Other NIWA ocean scientists will give public talks throughout the 6-month exhibition.

Transfer of knowledge through on-demand services. NIWA is frequently called upon to determine and give information on the environmental consequences relating to high-profile issues and incidents (e.g., to measure the effects of contaminants rather than just their quantity). An example is in the recent fire at the Sky City Convention Centre. An estimated 27 million litres of water were used to fight the fire, of which 15–20 million litres entered the Waitemata Harbour. NIWA's Ecotoxicology team found that during the firefighting event the water samples from the fire site were moderately harmful to the test organisms but given the substantial dilution of the water once it entered the harbour, there would have been minimal impact to marine life beyond the initial mixing zone of 10–100 m from the stormwater outlet and no long-term effects. We worked with Auckland Council to draft a memorandum covering results from chemical and ecotoxicity testing and mixing and dispersion models, which was used to inform Auckland Council's press statement on 01 November 2019 <https://ourauckland.aucklandcouncil.govt.nz/articles/news/2019/11/water-quality-results-announced-following-nzicc-fire/>. The council was able to reassure the public that "Our focus is to prevent contaminants from entering the harbour, but during an emergency event like last week, it is not always possible. In this instance, water entering the harbour is unlikely to have had any major effect on water quality or marine ecosystems. During the event there may have been some ecological

effect, but this will have been short term and localised. ... To confirm our understanding of the potential scale of the effects on the ecological health of the harbour during the event, ecotoxicity testing was undertaken by NIWA, using water samples from the site and from the stormwater outlet”.

Multiple avenues of knowledge transfer in single projects. Large projects are usually characterised by having a variety of transfer mechanisms in place to ensure uptake and implementation of the research. An example of this is the completion of the Climate Resilience Sector Project (CRSP) for Tonga, which aimed to mainstream climate resilience into government planning, focusing on the most vulnerable sectors and communities. It sought to strengthen Tonga's enabling environment for climate adaptation and disaster risk reduction at national and local level. Therefore, we installed monitoring stations and sea-level stations across several islands in the Tongan archipelago, provided training and spare equipment, and developed coastal wave and tide modelling services. All of this information is presented to Tonga Meteorological Service via a NIWA custom WEB portal.

Building Māori research capacity. There is a continuing need to build capacity and partnerships with Māori. This helps us respond better to Māori research priorities and aspirations, and strategically add impact and value from science to hapū, iwi and Māori communities. To further these aims, NIWA's new Graduate Internship Programme will provide four recent Māori science graduates with an opportunity to learn and engage in the realities of delivering Māori Environmental Research. By contributing to work programmes across several active NIWA projects, these one-year internships will provide the Māori graduates with practical experiences, relationships/networks and a platform from which to consider a long-term career in science. The successful applicants will have the opportunity to engage, conduct research, and operate at the interface between science and Te Ao Māori. They will gain experience in marine and estuarine science, fisheries, aquaculture, climate change and hazards, social/humanities research and mātauranga Māori, while learning how to communicate effectively with Māori and work collaboratively across disciplines.



Barry Harris
Chairman

John Morgan
Chief Executive

February 2020

Statement of comprehensive income for the 6 months ended 31 December 2019

in thousands of New Zealand dollars	Note	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Revenues and other gains	1			
Revenue		68,909	74,875	161,291
Other gains		1	1	1
Total income		68,910	74,876	161,292
Operating expenses	2			
Employee benefits expense		(37,820)	(36,265)	(73,539)
Other expenses		(24,128)	(28,979)	(60,380)
		(61,948)	(65,244)	(133,919)
Profit/(loss) before interest, income tax, depreciation and amortisation		6,962	9,632	27,373
Depreciation and impairment	3	(10,504)	(8,334)	(18,260)
Amortisation		(473)	(510)	(1,029)
Profit/(loss) before interest and income tax		(4,015)	788	8,084
Interest income		335	343	624
Finance expense		(300)	–	–
Net interest and other financing costs		35	343	624
Profit/(loss) before income tax		(3,980)	1,131	8,708
Income tax credit/(expense)		1,114	(317)	(2,461)
Profit/(loss) for the period		(2,866)	814	6,247
Other comprehensive income				
Foreign currency translation differences for foreign operations		(20)	(49)	(71)
Total comprehensive income for the period		(2,886)	765	6,176
Profit/(loss) attributable to:				
Parent interest		(2,830)	816	6,248
Minority interest		(36)	(2)	(1)
Profit for the period		(2,866)	814	6,247
Total comprehensive income attributable to:				
Parent interest		(2,850)	767	6,177
Minority interest		(36)	(2)	(1)
Total comprehensive income for the period		(2,886)	765	6,176

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

Statement of changes in equity for the 6 months ended 31 December 2019

in thousands of New Zealand dollars	Note	Share capital	Retained earnings	Minority interest	Foreign currency translation reserve	Total equity
Balance at 1 July 2018 (Audited)		24,799	95,264	256	(238)	120,081
Profit for the year		–	816	(2)	–	814
Translation of foreign operations		–	–	–	(49)	(49)
Total comprehensive income		–	816	(2)	(49)	765
Balance at 31 December 2018 (Unaudited)		24,799	96,080	254	(287)	120,846
Balance at 1 July 2018 (Audited)		24,799	95,264	256	(238)	120,081
Profit for the year		–	6,248	(1)	–	6,247
Translation of foreign operations		–	–	–	(71)	(71)
Total comprehensive income		–	6,248	(1)	(71)	6,176
Balance at 30 June 2019 (Audited)		24,799	101,512	255	(309)	126,257
Balance at 1 July 2019 (Audited)		24,799	101,512	255	(309)	126,257
Profit for the year		–	(2,830)	(36)	–	(2,866)
Translation of foreign operations		–	–	–	(20)	(20)
Total comprehensive income		–	(2,830)	(36)	(20)	(2,886)
Adoption of NZ IFRS 16	3	–	(3,351)	–	–	(3,351)
Balance at 31 December 2019 (Unaudited)		24,799	95,331	219	(329)	120,020

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

Share capital

The Group has issued and fully paid capital of 24,798,700 ordinary shares (2018: 24,798,700 ordinary shares). All shares carry the equal voting and distribution rights and have no par value.

Statement of financial position as at 31 December 2019

in thousands of New Zealand dollars	Note	As at Dec 19 Unaudited	As at Dec 18 Unaudited	As at Jun 19 Audited
Equity				
Share capital		24,799	24,799	24,799
Equity reserves		95,002	95,793	101,203
Shareholders' interest		119,801	120,592	126,002
Non-controlling interest		219	254	255
Total equity		120,020	120,846	126,257
Non-current liabilities				
Provision for employee entitlements		948	907	932
Lease liabilities	3	9,725	–	–
Deferred tax liability		4,656	5,908	5,770
Total non-current liabilities		15,329	6,815	6,702
Current liabilities				
Payables and accruals		8,691	8,058	12,041
Revenue in advance		28,665	21,656	15,991
Provision for employee entitlements		8,667	8,450	8,516
Tax payable		–	–	1,383
Lease liabilities	3	1,262	–	–
Forward exchange derivatives		52	17	12
Total current liabilities		47,337	38,181	37,943
Total equity and liabilities		182,686	165,842	170,602
Non-current assets				
Property, plant and equipment		110,410	116,355	115,071
Identifiable intangibles		1,128	1,524	1,439
Deferred tax asset		158	172	159
Lease assets	3	7,730	–	–
Prepayments		55	73	142
Total non-current assets		119,481	118,124	116,811
Current assets				
Cash and cash equivalents		13,112	6,792	13,277
Other short-term investments		17,000	10,000	10,000
Receivables		10,623	10,349	19,745
Prepayments		4,051	3,404	2,317
Taxation receivable		1,471	277	–
Assets held for sale		245	–	245
Uninvoiced receivables		13,802	14,572	5,874
Inventories		2,901	2,324	2,633
Forward exchange derivatives		–	–	–
Total current assets		63,205	47,718	54,091
Total assets		182,686	165,842	170,902

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

Cash flow statement for the 6 months ended 31 December 2019

in thousands of New Zealand dollars	Note	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		82,779	79,840	159,762
Dividends received		1	1	1
Interest received		334	343	624
Cash was disbursed to:				
Payments to employees and suppliers		(67,017)	(69,969)	(133,994)
Interest paid	3	(300)	–	–
Taxation paid		(2,854)	(3,475)	(4,084)
Net cash inflow from operating activities	4	12,943	6,740	22,309
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		2	262	337
Investments in other term deposits		5,000	–	12,000
Cash was applied to:				
Purchase of property, plant and equipment		(5,321)	(11,854)	(20,575)
Purchase of intangible assets		(162)	(165)	(599)
Investments in other term deposits		(12,000)	(5,000)	(17,000)
Net cash outflow in investing activities		(12,481)	(16,757)	(25,837)
Cash flows from financing activities				
Cash was applied to:				
Payments for lease principal	3	(625)	–	–
Net cash outflow from financing activities		(625)	–	–
Net increase/(decrease) in cash and cash equivalents		(163)	(10,017)	(3,528)
Effects of exchange rate changes on the balance of cash held in foreign currency		(2)	(30)	(34)
Opening balance of cash and cash equivalents		13,277	16,839	16,839
Closing cash and cash equivalents balance		13,112	6,792	13,277
Made up of:				
Cash		1,454	1,622	1,495
Short-term deposits		11,658	5,170	11,782
Closing cash and cash equivalents balance		13,112	6,792	13,277

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

Preparation disclosures

Reporting Entity

National Institute of Water & Atmospheric Research Limited ('NIWA' or 'the Company') and its subsidiaries form the consolidated Group ('the NIWA Group' or 'the Group'). NIWA is a profit-orientated company registered in New Zealand under the Companies Act 1993.

The financial statements for the NIWA Group are presented in accordance with the requirements of the Crown Research Institutes Act 1992, the Crown Entities Act 2004, the Public Finance Act 1989, the Companies Act 1993, and the Financial Reporting Act 2013.

Nature of activities

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

Basis of preparation

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

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

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

Except as noted below, the Group's accounting policies have been consistently applied in preparing the financial statements for the six months ended 31 December 2019; and the comparative information for the six months ended 31 December 2018 and the year ended 30 June 2019.

The Group adopted NZ IFRS 16 *Leases* with effect from 1 July 2019. This standard had a significant impact on the financial statements for the six months ended 31 December 2019. Lease depreciation and interest expenses were recognised instead of rental expense in the statement of financial performance, while a lease asset and lease liability were recognised in the statement of financial position. Further details can be found in note 3.

Statement of compliance

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

The financial statements comply with International Financial Reporting Standards (IFRS).

These interim financial statements have been prepared in accordance with the requirements of NZ IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the 2019 annual report.

Accounting judgements and major sources of uncertainty

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

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

Comparatives

The financial statements for the six months ended 31 December 2019 and for the comparative six-month period to 31 December 2018 are unaudited. The comparative figures for the year ended 30 June 2019 are audited.

Notes to the financial statements
for the 6 months ended 31 December 2019

1. Revenues and other gains

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Research			
Strategic Funding	22,734	23,659	49,489
Rendering of services	16,154	20,356	45,412
Applied Science			
Rendering of services	28,013	28,499	61,609
Sale of goods	2,008	2,361	4,781
Dividends	1	1	1
Total operating revenue	68,910	74,876	161,292

2. Operating expenses

Employee benefits

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Defined contribution plans	1,609	1,564	3,204
Termination benefits	161	89	104
Other employee benefits	36,050	34,612	70,231
Employee benefit expense	37,820	36,265	73,539

Other expenses

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Materials and supplies	3,698	4,840	10,063
Research Collaboration	5,287	8,878	18,636
Property occupancy costs	2,380	2,826	5,804
Information technology	3,916	3,481	7,268
Remuneration of directors	152	149	298
Foreign currency gain (loss)	(21)	(29)	(69)
Movement within the doubtful debt provision	–	(1)	158
Bad debts written off	–	–	9
Change in the fair value of derivatives	40	16	11
Other expenses	8,590	8,716	18,022
	24,041	28,876	60,200

Auditor's remuneration

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Auditor's remuneration comprises:			
Audit of the financial statements (Group)	73	88	158
Audit of the financial statements (Subsidiary)	14	10	22
Other assurance services (ACC audit)	–	5	–
Total auditor's remuneration	87	103	180

3. Lease liability and lease asset – NZ IFRS 16 Leases

NIWA adopted NZ IFRS 16 retrospectively from 1 July 2019 but has not restated the comparatives for the 2019 reporting periods, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 July 2019.

Lease liabilities were measured at the present value of the remaining lease payments, discounted by the lessee's incremental borrowing rates as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.4%.

The associated lease assets were measured on a retrospective basis as if the new rules had always been applied. The recognised lease assets are all property leases.

Lease asset

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited
Lease asset at adoption date of 1 July 2019	8,232
Depreciation	(530)
Lease modifications and additions	29
FX movement	(1)
Lease asset at period end	7,730

Impact of adoption of NZ IFRS 16 on statement of financial position

in thousands of New Zealand dollars	As at 1 Jul 19 Unaudited
Lease asset	8,232
Total Assets	8,232
Current lease liability	(1,267)
Non-current lease liability	(10,330)
Total Liabilities	(11,597)
Net Liabilities	(3,364)
Equity	
Retained earnings adjustment on adoption of NZ IFRS 16	(3,364)

Impact of adoption of NZ IFRS 16 on statement of cash flows

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited
Interest paid on leases (operating activities)	(300)
Payments for lease liabilities principal (financing activities)	(625)
Total cash outflows from leases	(925)

Reconciliation of operating commitments to lease liabilities

in thousands of New Zealand dollars	Total Unaudited
Operating lease commitments disclosed as at 30 June 2019	7,023
Effect of discounting commitments	(1,468)
Value of future lease options expected to be exercised at the date of adoption	6,042
Net present value of future lease liability as at 1 July 2019	11,597
Current lease liability	1,267
Non-current lease liability	10,330
Total lease liabilities as at 1 July 2019	11,597

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

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Profit for the period	(2,866)	814	6,247
Add/(less) items classified as investing activities			
Net loss/(gain) on disposal of property, plant and equipment	6	(18)	20
	6	(18)	20
Add/(less) non-cash items			
Depreciation and impairment	10,504	8,334	18,260
Amortisation of identifiable intangibles	473	510	1,029
Net foreign currency (gain)/loss	(17)	(19)	(38)
Increase/(decrease) in deferred tax liability	–	–	–
	10,966	8,825	19,271
Add/(less) movements in working capital items			
Increase/(decrease) in payables and accruals and revenue in advance	9,324	2,824	864
Increase/(decrease) in employee entitlements	167	317	408
(Increase)/decrease in receivables and prepayments	7,475	6,499	(1,879)
(Increase)/decrease in inventory and uninvociced receivables	(8,196)	(9,379)	(990)
(Increase)/decrease in taxation receivable	(3,967)	(3,158)	(1,623)
(Increase)/decrease in forward exchange derivatives	40	16	11
	4,843	(2,881)	(3,209)
Net cash flows from operating activities	12,943	6,740	22,309

5. Related party transactions

The Government of New Zealand (the Crown) is the ultimate shareholder of the NIWA Group. No transactions with other New Zealand Government-owned entities are considered as related party transactions in terms of NZ IAS 24. No related party debts have been written off or forgiven during the year. Any business the NIWA Group has transacted in which a director or an employee has an interest has been carried out on a commercial basis. Any potential conflict is recorded in the minutes of Board meetings for directors and a separate interests register for employees. The interests register containing all relevant interests is updated on a regular and timely basis.

6. Key management personnel compensation

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Short-term benefits	4,457	3,912	7,333

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

The Chief Executive's remuneration package that will apply for FY2020, together with the comparative information for the prior year, is as follows:

in New Zealand dollars	12 Months to Jun 20 Forecast	12 Months to Jun 19 Actual
Salary	658,711	^{2/} 565,861
Benefits ^{1/}	67,035	61,943
Subtotal	725,746	627,804
Pay for Performance At-risk salary ^{3/}	–	90,000
Total Remuneration	725,746	717,804

Note 1: Benefits include Kiwisaver, insurance and vehicle fuel expenses

Note 2: Actual salary paid includes holiday pay paid consistent with New Zealand legislation. The base salary for 2019 was \$557,560.

Note 3: The packages of all relevant NIWA staff were restricted for FY2020 to remove pay for performance components.

7. Capital commitments

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Commitments for future capital expenditure: Contracted, but not provided for	2,356	2,662	867

8. Contingent liabilities

The ground lease over the Hamilton office site includes a clause that requires the site to be restored at the end of the lease. Ongoing negotiations over the future use of the site mean that it was not yet probable at balance date that NIWA would be required to restore the site, therefore no provision for

this was included in the financial statements for site restoration. Quantity surveyors have provided an estimate of the costs for restoring the site (including demolition of buildings) which is disclosed below as a contingent liability.

in thousands of New Zealand dollars	6 Months to Dec 19 Unaudited	6 Months to Dec 18 Unaudited	12 Months to Jun 19 Audited
Site restoration lease clause	500	500	500

9. Subsequent events

There are no material events occurring subsequent to 31 December 2019 which require adjustment or disclosure in the financial statements.

National Institute of Water & Atmospheric Research Ltd

Directory

BOARD OF DIRECTORS

Barry Harris (Chairman)
Nicholas Main (Deputy Chairman)
Dr Helen Anderson
Dr Tracey Batten
Prof. Gillian Lewis
Mary-Anne Macleod
Michael Pohio (resigned 31 January 2020)

EXECUTIVE TEAM

John Morgan, *Chief Executive Officer*
Patrick Baker, *Chief Financial Officer and Company Secretary*
Geoff Baird, *General Manager, Communications & Marketing*
Dr Barry Biggs, *General Manager, Technology & Innovation*
Dr Bryce Cooper, *General Manager, Strategy*
Dr Mary-Anne Dehar, *General Manager, People & Capability*
Dr Rob Murdoch, *General Manager, Research*
Dr Helen Neil, *General Manager, Operations*
Marino Tahī, *General Manager, Māori Strategy & Partnerships*

Auditors

Troy Florence with the assistance of PricewaterhouseCoopers
on behalf of the Auditor-General

Bankers

ANZ Bank of New Zealand

Registered Office and Address for Service

41 Market Place, Auckland Central 1010, New Zealand

Solicitors

Atkins Holm Majurey
Meredith Connell

Insurance Broker

Marsh Limited

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NIWA

Taihoro Nukurangi

Climate, Freshwater & Ocean Science

