



Science for a resilient future

NIWA ANNUAL REPORT 2020/21
REPORTS & FINANCIAL STATEMENTS



Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989.

The NIWA Annual Report for 2021 is presented in two parts – the Year in Review and the Annual Report (Reports and Financial Statements). Collectively, these two documents fulfil our annual reporting responsibilities under the Crown Research Institutes Act 1992.

The Year in Review is an illustrated document containing the Chairman and Chief Executive’s report, descriptions of our research capabilities and performance, including our work with Māori and other collaborators and stakeholders, and an overview of our people.

Both reports are available digitally at www.niwa.co.nz/about/annual-reports

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NIWA

Taihoro Nukurangi

Annual Report 2020/21

Reports & Financial Statements

Science for a resilient future



Bespoke, high-resolution forecasting is essential for many businesses. NIWA provided ultra-high-resolution forecasts of wind, tide, current and wave height to help Emirates Team New Zealand win the 36th America's Cup. [ETNZ]

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NIWA is helping investigate the feasibility of using pumped water storage in Lake Onslow to support hydroelectric power generation in dry years. *[Andrew Willsman]*

STATEMENT OF CORE PURPOSE OUTCOMES

The information in this section of the Annual Report demonstrates how NIWA is delivering on its expected outcomes.




Our purpose, set out in our Statement of Core Purpose, is to:

- enhance the economic value and sustainable management of Aotearoa New Zealand's aquatic resources and environments
- provide understanding of climate and the atmosphere
- increase resilience to weather and climate hazards to improve the safety and wellbeing of New Zealanders.




We are expected to fulfil our purpose through the provision of research and transfer of technology and knowledge in partnership with key stakeholders, including industry, government and Māori, to achieve six key outcomes:

1. Increase economic growth through the sustainable management and use of aquatic resources.
2. Grow renewable energy production through developing a greater understanding of renewable aquatic and atmospheric energy resources.
3. Increase the resilience of New Zealand and South-West Pacific islands to tsunami and weather and climate hazards, including drought, floods and sea-level change.
4. Enable New Zealand to adapt to the impacts and exploit the opportunities of climate variability and change and mitigate changes in atmospheric composition from greenhouse gases and air pollutants.
5. Enhance the stewardship of New Zealand's freshwater and marine ecosystems and biodiversity.
6. Increase understanding of the Antarctic and Southern Ocean climate, cryosphere, oceans and ecosystems and their longer-term impact on New Zealand.

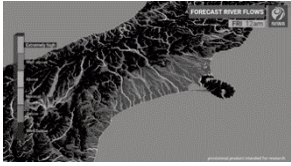


Increase economic growth through the sustainable management and use of aquatic resources

PROJECT	KEY ACHIEVEMENTS	SECTOR IMPACT
<p><i>Growing the aquaculture industry</i></p> 	<p>In conjunction with our investment partner, Northland Regional Council, we have completed design and appointed a contractor to build a commercial scale (600 tonnes p.a.) land-based recirculating aquaculture system for production of high-value Yellowtail Kingfish at the Northland Marine Research Centre.</p>	<p>The unit is central to sector growth, both in New Zealand and globally, and will contribute to the sector achieving its revenue target of \$3 billion p.a. by 2035.</p>
<p><i>Enhancing fisheries management</i></p> 	<p>Eighty-one research projects were carried out for Fisheries New Zealand, including: 14 research surveys, 21 stock assessment-related projects, six projects on aspects of recreational fisheries, land-based catch sampling for six species, ongoing monitoring for <i>Bonamia</i> in oysters and ageing more than 14,000 fish otoliths.</p>	<p>NIWA continues to provide essential scientific advice to inform management of New Zealand fisheries in a more sustainable way.</p>
<p><i>Better use of water</i></p> 	<p>The NIWA-led Irrigation Insight programme was a finalist in the science and research section of the 2021 Primary Industries New Zealand Awards. These awards identify and reward the most successful and innovative primary sector operators and promote New Zealand's primary sector role models.</p> <p>The five-year applied research programme has focused on understanding the environmental, social and economic aspects of irrigation management by working with farmers and stakeholders to understand barriers to changing current practice.</p>	<p>A series of tools have been developed that provide dairy farmers with the on-farm data support for irrigation decision making that is economically sound and environmentally responsible.</p>



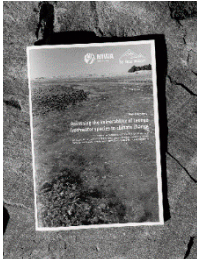
Grow renewable energy production through developing a greater understanding of renewable aquatic and atmospheric energy resources

PROJECT	KEY ACHIEVEMENTS	SECTOR IMPACT
<p><i>Investigating alternative energy sources</i></p> 	<p>NIWA is aiding the Ministry of Business, Innovation and Employment’s investigation of the feasibility of pumped water storage to support hydroelectricity generation at Lake Onslow.</p> <p>Researchers have completed a bathymetric survey and assessed potential locations for a climate station and a telemetered monitoring buoy in Lake Onslow. The resulting climate and limnology data will be used to predict the effects of pumped hydro operations on the lake’s water quality and ecosystem health.</p>	<p>The project aims to solve New Zealand’s dry year electricity issues by supporting hydroelectricity generation when there is insufficient water storage in existing hydropower lakes.</p>
<p><i>Helping meet future hydroelectric power demand</i></p> 	<p>Over half of New Zealand’s electricity relies on hydroelectric generation. NIWA scientists, funded by the Deep South National Science Challenge, have been working with hydroelectric power generators and the University of Otago to understand the resilience of this renewable resource and to link generation capacity with distribution.</p> <p>NIWA hydrologists have provided analyses of generation capacity, floods and hydrological droughts (such as last summer) to help predict future generation capability and climate-driven changes in water supply.</p>	<p>The research is especially important in the face of pressure from both a changing climate and increasing demand for renewable electricity as we work to mitigate climate change.</p>
<p><i>Ensuring safe and reliable electricity transmission</i></p> 	<p>This year NIWA carried out its 13th high voltage direct current (HVDC) meteorological power line survey for Transpower since 2001.</p> <p>This involves taking targeted measurements of temperature, wind speed and direction up to 100m above ground level while a helicopter uses a laser to measure to millimetre precision the exact position of the line being measured. The modelling provides data over hundreds of kilometres and thousands of spans.</p>	<p>Transpower uses the results to manage its HVDC lines, ensuring safe and reliable transmission of electricity throughout New Zealand via the national grid.</p>

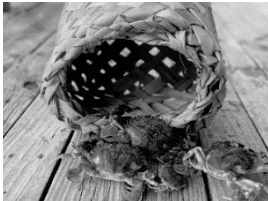


Increase the resilience of New Zealand and South-West Pacific islands to tsunami and weather and climate hazards, including drought, floods and sea-level change

PROJECT	KEY ACHIEVEMENTS	SECTOR IMPACT
<p><i>Forecasting river flows</i></p> 	<p>NIWA is developing a national river flow forecasting system for New Zealand that provides hourly forecasts, with a 48-hour lead time, for approximately 60,000 river reaches across the country.</p> <p>The forecasting system publishes daily forecast videos that indicate forecasted river flow levels as categories ranging from below normal to extremely high for flood awareness.</p>	<p>The system was used by NIWA Weather to forecast the Canterbury floods in May 2021 and river flow forecast videos are featured on the NIWA mountain and parks weather website for the Department of Conservation.</p> <p>Climate change will continue to exacerbate future flooding frequency and effects on communities, increasing the need for reliable and accessible river flow forecasting.</p>
<p><i>Costing sea-level rise</i></p> 	<p>NIWA has developed a tool especially for the financial sector which assesses the residential and commercial properties that could be exposed to sea-level rise over a mortgage timeframe.</p>	<p>Better understanding the present, medium and long-term impacts of sea-level rise on lending portfolios is central to the future security of people and profits, with access to comprehensive modelling data like this critical to the integration of climate risk into new and existing banking products and mortgage lending processes.</p>
<p><i>Informing district plans and emergency decisions</i></p> 	<p>NIWA researchers are carrying out high-resolution coastal flood inundation and sea-level rise modelling for councils including Wellington City Council. In a storm in June 2021 this modelling enabled NIWA to give advice that led to emergency managers making a precautionary decision to evacuate some south coast residents.</p>	<p>The work is helping to inform planning and emergency management decisions by enabling more accurate forecasts of inundation during severe storm and high tide events and generating future impact scenarios.</p>


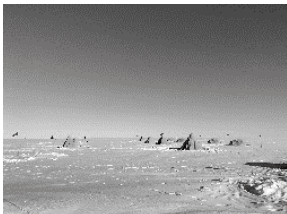

Enable New Zealand to adapt to the impacts and exploit the opportunities of climate variability and change and mitigate changes in atmospheric composition from greenhouse gases and air pollutants

PROJECT	KEY ACHIEVEMENTS	SECTOR IMPACT
<p><i>Informing global methane reductions</i></p> 	<p>NIWA’s Dr Sara Mikaloff-Fletcher is leading the MBIE-funded MethaneSAT, an international space mission helping tackle climate change.</p> <p>She has assembled a team of New Zealand and international atmospheric researchers and is now leading the early stages of the research programme, conducting ground-based measurements and carrying out modelling in preparation for the future satellite launch.</p>	<p>The programme will provide a clearer picture of agricultural emissions across New Zealand and help us track the effectiveness of emissions reduction strategies.</p> <p>The science project is also responsible for developing a strategy for how MethaneSAT can be used globally to help reduce methane emissions from agriculture.</p>
<p><i>Supporting the transition to low carbon</i></p> 	<p>Results from NIWA’s CarbonwatchNZ programme are contributing to New Zealand’s National Inventory Report for greenhouse gas measurements for the first time.</p> <p>Our measurements and inverse modelling of methane emissions are now included in the report. NIWA researchers are carrying out further investigation into processes driving carbon dioxide emissions and uptake and, once completed, these are likely to be included too.</p>	<p>Refinement of the national inventory is crucial to support verification of emissions and mitigation efforts as we transition to a low carbon economy.</p>
<p><i>Helping protect taonga species during climate change</i></p> 	<p>In 2019 Te Wai Māori Trust asked NIWA researchers to assess the vulnerability of taonga species to climate change.</p> <p>The <i>Assessing the vulnerability of taonga freshwater species to climate change</i> report informs management strategies to support 10 species through a changing climate.</p>	<p>To prepare for changes in climate, our freshwater and oceans decision-makers need information on species’ vulnerability to climate change.</p> <p>The report provides insights into how some of our freshwater taonga species’ exposure to climate change may vary nationally, and how each species may respond differently depending on where they are and their unique life cycles – knowledge that informs protection and restoration decision-making.</p>

Enhance the stewardship of New Zealand’s freshwater and marine ecosystems and biodiversity

PROJECT	KEY ACHIEVEMENTS	SECTOR IMPACT
<p><i>Tackling unwanted invaders</i></p> 	<p>The Asian paddle crab is an aggressive invasive species found in estuaries on the eastern coast of the upper North Island. Adults produce hundreds of offspring, competing with native species for habitat and food.</p> <p>NIWA, together with Manaaki Te Awanui and the hapū of Te Tahuna o Rangataua, are drawing on mātauranga Māori to enhance detection and removal of these invasive crab species.</p>	<p>Knowledge gained from this project supports hapū kaitiaki to develop a more active role in biosecurity.</p>
<p><i>Understanding our lakes</i></p> 	<p>NIWA have developed a Lake Monitoring Toolkit currently being tested by marae, hapū and iwi to support them as they carry out their kaitiaki roles.</p>	<p>There are more than 4,000 lakes greater than one hectare in New Zealand, yet less than 5% are monitored. Understanding the environmental change taking place and the rate at which it's occurring is fundamental in managing these environments.</p>
<p><i>Monitoring and testing our seafood</i></p> 	<p>As part of an ongoing surveillance plan, 2,800 oysters were collected from 15 sites in the Foveaux Strait and tested for <i>Bonamia ostreae</i>.</p>	<p>Further sampling will help us more accurately understand the disease status and provide advice to the Ministry for Primary Industries.</p>

Increase understanding of the Antarctic and Southern Ocean climate, cryosphere, oceans and ecosystems and their longer-term impact on New Zealand

PROJECT	KEY ACHIEVEMENTS	SECTOR IMPACT
<p><i>Protecting Antarctic waters</i></p> 	<p>NIWA's research vessel <i>Tangaroa</i> undertook a six-week voyage to Antarctica to increase knowledge about key environmental and biological processes in the Ross Sea.</p> <p>The 187 deployments during the voyage included oceanographic and acoustic moorings, Argo floats, wave measurement buoys, and an assortment of nets.</p>	<p>The voyage focus was on providing baseline information about the Ross Sea Marine Protected Area (MPA) established in 2017 by the Commission for the Conservation of Antarctic Marine Living Resources.</p> <p>NIWA scientists are significant players in the international scientific collaboration monitoring the effectiveness of the MPA.</p>
<p><i>Understanding Antarctic sea-level rise</i></p> 	<p>Analysis of unique observational data retrieved from the ocean cavity beneath the Ross Ice Shelf to identify dominant transport processes.</p> <p>This helps inform modelling looking to span the divide between important but short-term processes, such as tidal mixing, and long-term melting outcomes that then influence ice sheet stability and local ocean biophysical operations.</p>	<p>This work supports improved quantification of ice shelf melting which remains one of the significant unknowns affecting sea-level rise projections and global thermohaline circulation as identified in the 2021 IPCC AR6 and the draft Antarctic and Southern Oceans Directions 2021-2030 (MFAT).</p>
<p><i>Measuring Antarctica's atmosphere</i></p> 	<p>A NIWA-led collaboration with the United States Antarctic Programme, Antarctica NZ and Toitū Te Whenua Land Information New Zealand is seeing atmospheric measurements taken from Antarctica's Ross Island added to a highly respected international climate data reference network.</p> <p>Short for Global Climate Observing System Reference Upper-Air Network, GRUAN is a state-of-the-art global network of high-quality measurements of climate variables in the upper atmosphere.</p>	<p>GRUAN's measurements are used to help calibrate and validate climate measurements taken by satellites and to improve models used for numerical weather prediction.</p>

PERFORMANCE TARGETS 2020/21

NIWA will measure its performance against the outcomes and operating principles in its Statement of Core Purpose using the following set of indicators.

Financial Indicators

Measure	Calculation	Reporting frequency	Target 2020/21	Actual 2020/21
Operating margin	Earnings Before Interest, Tax, Depreciation, Amortisation and Fair-value (EBITDAF)/Revenue	Annual	19.6%	24.3%
Profit per FTE	EBITDAF/FTEs	Annual	\$46,000	\$64,000
Quick ratio	Current assets less inventory less prepayments/Current liabilities less revenue received in advance	Quarterly	3.61	3.13
Interest coverage	EBITDAF/Interest paid	Quarterly	15.5	56.5
Profit volatility	Standard deviation of EBITDAF for past five years/Average EBITDAF for the past five years	Annual	18.7%	29.5%
Forecasting risk	Five-year average of return on equity less forecast return on equity	Annual	1.9%	2.9%
Adjusted return on equity	NPAT excluding fair value movements (net of tax)/Average of share capital plus retained earnings	Quarterly	6.0%	13.9%
Revenue growth	% change in revenue	Annual	0.2%	11.3%
Capital renewal	Capital expenditure/Depreciation expense plus amortisation expense	Quarterly	122.3%	121.5%

Organisational Performance Indicators – 2020/21 at a glance

Measure	Calculation	Reporting frequency	Target 2020/21	Actual 2020/21
End-user collaboration*	Revenue per FTE from commercial sources	Quarterly	\$78,000	\$101,000
Research collaboration*	Publications with collaborators	Quarterly	85%	95%
Technology & knowledge transfer*	Commercial reports per scientist FTE	Quarterly	1.0	1.63
Science quality*	Impact of scientific publications	Annually	2.5	4.19
Operational efficiency*	Revenue per FTE	Quarterly	\$233,000	\$264,000
Operational delivery	% projects delivered on time	Annually	>90%	99.7%
Strategic progress – operations	% Enabling Plan KPIs achieved	Annually	>90%	100%
Strategic progress – science	% Science Plan KPIs achieved	Annually	>90%	92%

*Ministry of Business, Innovation & Employment generic indicators.

FINANCIAL SUMMARY

NIWA Group Financial Summary

In thousands of New Zealand dollars	2021	2020	2019	2018	2017
Revenue and other gains	176,887	158,860	161,292	151,416	142,618
– Research	109,111	93,800	94,901	91,516	81,417
– Commercial science	67,775	65,059	66,390	59,899	61,200
– Other income	1	1	1	1	1
Profit before income tax	22,594	9,982	8,708	9,074	5,950
Profit for the year	16,263	7,370	6,247	6,472	4,250
Capital expenditure	23,080	14,757	21,460	33,573	13,053
Adjusted return on average equity (%)	13.9	6.9	6.2	6.9	4.8
Return on average equity (%)	11.6	5.7	5.1	5.5	3.8

The 'adjusted return on average equity' uses a valuation basis comparable to that used by other Crown Research Institutes. This valuation basis arose from the transition to New Zealand Equivalents to International Financial Reporting Standards in 2006/07 and reverses the effect of the revaluation of certain land and buildings.

Group actual performance versus Statement of Corporate Intent (SCI)

For the year ended 30 June 2021

in thousands of New Zealand dollars	2021 Actual	2021 SCI	2020 Actual
Revenue and other gains	176,887	159,820	158,860
Operating expenses, depreciation, and amortisation	154,397	150,525	149,070
Profit before income tax	22,594	9,487	9,982
Profit for the year	16,263	6,830	7,370
Average total assets	205,741	191,266	182,279
Average shareholders' funds	139,841	136,047	128,984
Profitability			
Operating profit margin (%) (EBITDAF/revenue)	24.3	19.6	19.7
Adjusted return on average equity after tax (%) (net surplus/adjusted average equity)	13.9	6.0	6.9
Return on average equity after tax (%) (net surplus/average equity)	11.6	5.0	5.7
Return on assets (%) (EBIT/average total assets)	10.9	4.9	5.4
Profit volatility (%) (non-adjusted ROE)	29.5	18.7	18.9
Forecasting risk (%)	2.9	1.9	1.4
Liquidity and efficiency			
Current ratio	1.6	1.9	1.5
Quick ratio	3.1	3.6	2.9
Financial leverage			
Debt to average equity (%)	–	–	–
Gearing (%)	–	–	–
Proprietorship (%) (average shareholders' funds/total assets)	64	72	67

In the face of great uncertainty, NIWA achieved record results for both revenue and profit by managing the increased workload resulting from COVID-19 delays, while still continuing to deliver high quality science.

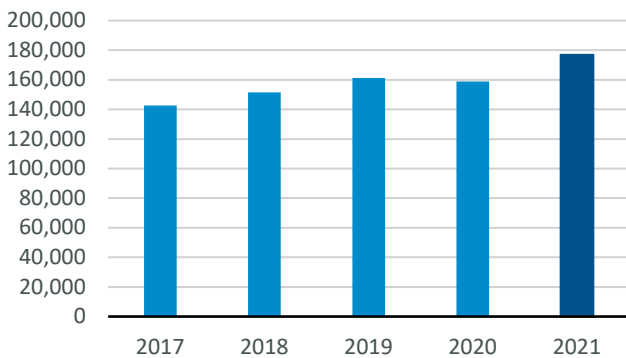
Revenue

NIWA achieved revenue of \$176.9 million in 2020/21, above budget by \$17.1 million and representing an increase of \$18.0 million over the previous year. The revenue totals in both 2019/20 and 2020/21 include \$8.27 million in funding from the Government’s COVID-19 Response and Recovery Fund (CRRF).

The level of MBIE National Science Challenge funding earned by NIWA during the year was \$4.8 million higher than the prior year, mainly due to a low base in 2019/20 with delivery delays related to the pandemic, together with the effect of phase 2 of the National Science Challenges getting underway. Revenue associated with NIWA’s ocean-going research vessels was \$4.5 million higher than in the prior year due both to the biannual voyage to Antarctica and to voyages that were rescheduled from 2019/20 due to COVID-19 restrictions.

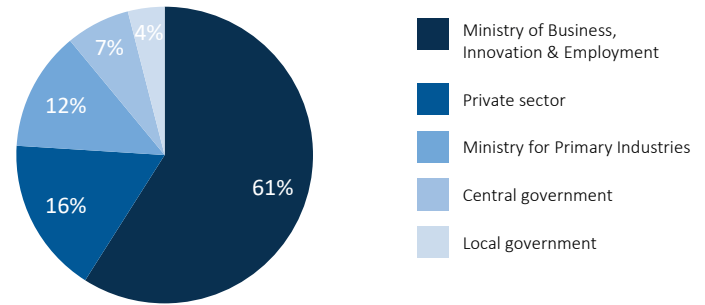
While revenue for the year exceeded budget, this occurred through a combination of a conservative budget and the completion of work that had been delayed from 2019/20. We continue to expect greater pressure on commercial revenue as the ongoing economic impacts of the pandemic are felt by key clients.

Total Revenue
(\$ in thousands)



The share of NIWA’s revenue arising from transactions with its key central government clients of the Ministry of Business, Innovation and Employment, and the Ministry of Primary Industries, was 73%. This was slightly higher than the position in 2019/20.

Revenue by source

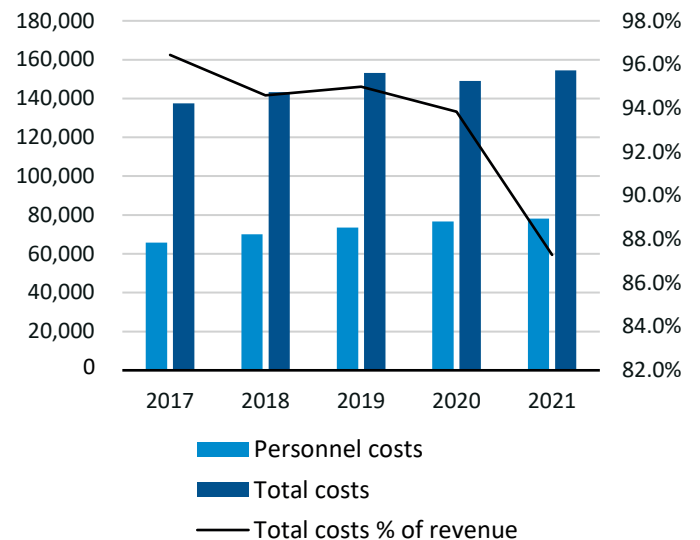


Expenditure

Operating expenses (including depreciation and amortisation) were \$3.9 million higher than budget and increased by \$5.3 million compared with the previous year.

Research collaboration accounted for \$3.7 million of the year-on-year increase, due to increased subcontractor activity as phase two of the National Science Challenges get underway. Work on the implementation of a new financial system accounts for the remainder of the increase.

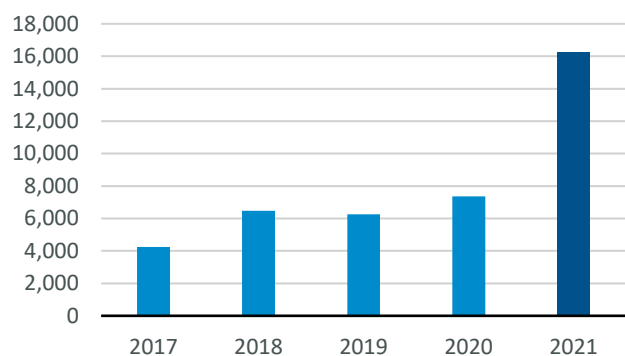
Total Expenditure
(\$ in thousands)



Profitability

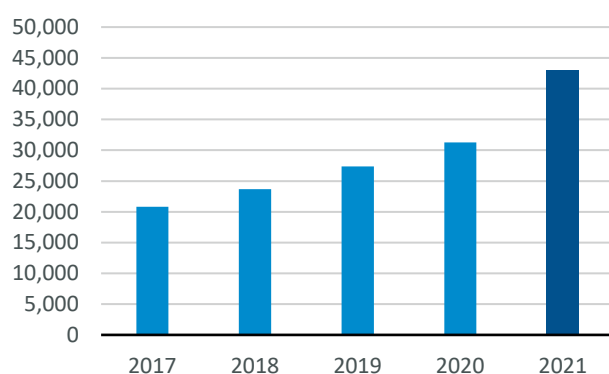
NIWA delivered a profit before tax of \$22.6 million and after tax of \$16.3 million during 2020/21. Compared with the previous year, these results reflect an increase of \$12.6 million and \$8.9 million respectively. Compared with budget, the result was also positive, with improvements of \$13.1 million before tax and \$9.4 million after tax.

Net profit after tax (\$ in thousands)



NIWA also closely monitors its Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), as this measure assists in understanding the Company's capacity to fund future investments and carry debt. Performance against this measure improved by \$11.7 million compared with the previous year, to \$43.0 million. We are continuing to manage this measure carefully to ensure that we are in a position to finance our planned major facility investments over the coming several years.

EBITDA (\$ in thousands)



NIWA's fundamental financial performance metric is adjusted return on equity, which enables comparison between CRIs on an equivalent basis. The Company delivered an adjusted ROE of 13.9% this year, which exceeded both the budget objective of 6.0% and the 6.9% achieved in the previous year.

Capital management and cash

Cash flows

The following table summarises NIWA's cash flows this year and last year:

(\$ in millions)	2021	2020	Change
Net cash flows from operating activities	38.979	41.858	(2.879)
Net cash flows from investing activities	(38.397)	(29.518)	(8.879)
Net cash flows from financing activities	(1.769)	(1.465)	(0.304)
Net increase/(decrease) in cash	(1.187)	10.875	(12.062)

The above presentation is consistent with New Zealand Equivalents to International Financial Reporting Standards and therefore treats cash flows relating to short term deposits with maturities greater than three months as investing activities. In order to provide more useful and relevant information concerning the Company's cash flows, the table below restates the summary of cash flows, treating all short-term investments as equivalent to cash:

(\$ in millions)	2021	2020	Change
Net cash flows from operating activities	38.979	41.858	(2.879)
Net cash flows from investing activities	(23.397)	(14.518)	(8.879)
Net cash flows from financing activities	(1.769)	(1.465)	(0.304)
Net increase/(decrease) in cash including other term deposits	13.813	25.875	(12.062)

Net cash flows from operating activities

Net cash inflows from operating activities decreased by \$2.9 million to \$39.0 million in 2021. This year-on-year change reflected higher tax payments which resulted from the increased profit in 2021.

Net cash flows from investing activities

Net cash outflows from investing activities (excluding the impact of cash flows associated with term deposits with maturities in excess of three months) increased by \$8.9 million to \$23.4 million. This year-on-year variance reflects a return to more typical levels of capital spending following the restrictions that were implemented during the previous year as a response to the adverse financial impacts of the COVID-19 pandemic.

Net cash flows from financing activities

Net cash outflows from financing activities increased by \$0.3 million to \$1.8 million. These costs relate to the treatment of long-term lease costs under the accounting standard, NZ IFRS 16 *Leases*. The Company paid no dividend during the year. This was signalled in the previous year's Statement of Corporate Intent and

reflects upcoming essential and material investments designed to ensure that our science facilities remain fit for purpose for the coming decades.

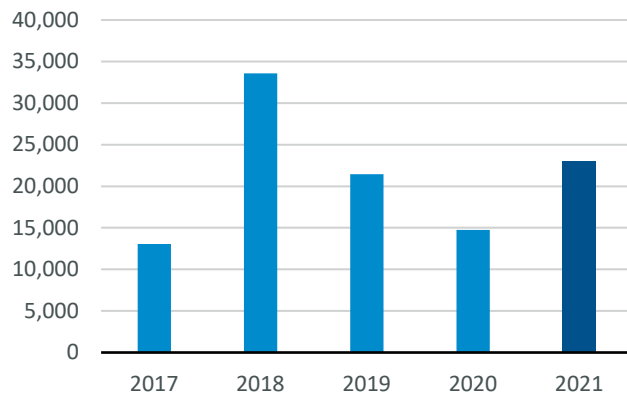
Capital spending

The following table summarises NIWA’s capital expenditure this year and last year:

(\$ in millions)	2021	2020	Change
Land, buildings & improvements	9.766	5.878	3.888
Equipment	6.363	5.401	0.962
ICT equipment	1.984	1.437	0.547
Vessel equipment	3.164	0.765	2.399
Other	1.803	1.276	0.527
Total capital spending	23.080	14.757	8.323

Total capital expenditure was \$23.1 million during the year, up from \$14.8 million during the prior year. This was due to the phasing of certain major capital projects as well as spending controls implemented in response to COVID-19 in 2020.

Capital expenditure (\$ in thousands)



Capital structure and liquidity

Shareholders’ equity at 30 June 2021 was \$148.0 million (2020: \$131.7 million) which was \$8.5 million above the level forecast in the SCI budget. Total assets at year-end were \$217.8 million (2020: \$193.7 million). As at 30 June 2021, the Company’s net debt balance was zero, equal to that at the prior year-end.

NIWA’s liquidity is mainly provided by operating cash flows. In addition, the Company has access to financing facilities of \$10.5 million provided by its bank, although this facility was not required to be called upon during the year.

Dividends

As foreshadowed in the Company’s Statement of Corporate Intent, the Directors of NIWA have once again decided not to declare a dividend in respect of the 2021 year. This is in the light of a series of significant capital investments which will be required to maintain and build the Company’s capability and financial sustainability for the future. These investments include renovating or replacing the physical infrastructure and facilities at three of the Company’s main sites.

FINANCIAL STATEMENTS

NIWA GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

in thousands of New Zealand dollars	Notes	2021 Actual	2021 SCI Budget (unaudited)	2020 Actual
Revenue and other gains	1			
Revenue		176,886	159,820	158,859
Other gains		1	–	1
Total income		176,887	159,820	158,860
Operating expenses	2			
Employee benefits expense		(78,127)	(76,973)	(76,657)
Other expenses		(55,775)	(51,502)	(50,960)
		(133,902)	(128,475)	(127,617)
Profit before interest, income tax, depreciation, and amortisation (EBITDAF)		42,985	31,345	31,243
Depreciation	4, 5	(19,813)	(20,937)	(20,547)
Amortisation	7	(682)	(1,113)	(906)
Profit before interest and income tax (EBIT)		22,490	9,295	9,790
Interest income		502	792	599
Finance expense	5	(398)	(600)	(407)
Net interest and other financing income		104	192	192
Profit before income tax		22,594	9,487	9,982
Income tax expense	11	(6,331)	(2,657)	(2,612)
Profit for the year		16,263	6,830	7,370
Other comprehensive (loss)/income				
<i>Items that may be reclassified to profit or loss</i>				
Foreign currency translation differences of foreign operations		(4)	–	24
Total comprehensive income for the year		16,259	6,830	7,394
Profit attributable to:				
Owners of the Parent		16,214	6,830	7,341
Non-controlling interest		49	–	29
Profit for the year		16,263	6,830	7,370
Total comprehensive income attributable to:				
Owners of the Parent		16,210	6,830	7,365
Non-controlling interest		49	–	29
Total comprehensive income for the year		16,259	6,830	7,394

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

NIWA GROUP

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

in thousands of New Zealand dollars	Note	Share capital	Retained earnings	Non-controlling interest	Foreign currency translation reserve	Total equity
Balance at 1 July 2019		24,799	101,512	255	(309)	126,257
Profit for the year		–	7,341	29	–	7,370
Other comprehensive income		–	–	–	24	24
Total comprehensive income		–	7,341	29	24	7,394
Adoption on NZ IFRS 16	5	–	(1,940)	–	–	(1,940)
Balance at 30 June 2020		24,799	106,913	284	(285)	131,711
Balance at 1 July 2020		24,799	106,913	284	(285)	131,711
Profit for the year		–	16,214	49	–	16,263
Other comprehensive (loss)/income		–	–	–	(4)	(4)
Total comprehensive income/(loss)		–	16,214	49	(4)	16,259
Balance at 30 June 2021		24,799	123,127	333	(289)	147,970

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 authorised issued and fully paid capital of 24,798,700 ordinary shares (2020: 24,798,700 ordinary shares). All shares carry equal voting and distribution rights and have no par value.

NIWA GROUP

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

in thousands of New Zealand dollars	Notes	2021 Actual	2021 SCI Budget (unaudited)	2020 Actual
Equity and liabilities				
Equity				
Share capital		24,799	24,799	24,799
Equity reserves		122,838	114,403	106,628
Shareholders' interest		147,637	139,202	131,427
Non-controlling interest		333	260	284
Total equity		147,970	139,462	131,711
Non-current liabilities				
Provision for employee entitlements	3	879	981	1,019
Lease liabilities	5	9,026	9,600	9,879
Deferred tax liability	12	2,352	5,123	2,824
Total non-current liabilities		12,257	15,704	13,722
Current liabilities				
Payables and accruals		12,879	7,373	9,793
Revenue in advance		29,155	18,717	24,633
Provision for employee entitlements	3	9,934	8,367	9,406
Taxation payable		3,635	620	2,922
Lease liabilities	5	1,996	–	1,460
Forward exchange derivatives		–	–	8
Total current liabilities		57,599	35,077	48,222
Total equity and liabilities		217,826	190,243	193,655
Assets				
Non-current assets				
Property, plant, and equipment	4	113,072	115,113	109,405
Identifiable intangibles	7	1,837	–	1,576
Deferred tax asset	12	114	–	143
Right-of-use asset	5	8,819	6,766	8,861
Prepayments		51	55	66
Total non-current assets		123,893	121,934	120,051
Current assets				
Cash and cash equivalents		22,988	43,906	24,173
Other short-term investments		40,000	–	25,000
Forward exchange derivatives		8	3	–
Receivables	9	19,060	7,129	12,546
Prepayments		2,526	2,827	2,231
Assets held for sale	8	245	245	245
Uninvoiced receivables		6,614	11,236	6,834
Inventory	10	2,492	2,963	2,575
Total current assets		93,933	68,309	73,604
Total assets		217,826	190,243	193,655

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

For and on behalf of the Board:



Barry Harris
Chairman



Nicholas Main
Deputy Chairman

The financial statements were authorised for issue by the directors on 25 August 2021.

NIWA GROUP

CASH FLOW STATEMENT

For the year ended 30 June 2021

in thousands of New Zealand dollars	Notes	2021 Actual	2020 SCI Budget (unaudited)	2020 Actual
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers and grants		175,112	156,693	173,719
Dividends received		1	–	1
Interest received		502	792	600
Cash was disbursed to:				
Payments to employees and suppliers		(130,177)	(129,720)	(128,801)
Interest paid	5	(398)	(600)	(407)
Taxation paid		(6,061)	(3,808)	(3,254)
Net cash inflow from operating activities	13	38,979	23,357	41,858
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant, and equipment		26	–	31
Term deposits maturing		22,000	–	29,000
Cash was applied to:				
Purchase of property, plant, and equipment		(22,480)	(24,617)	(13,506)
Purchase of intangible assets		(943)	(1,113)	(1,043)
Investments in other term deposits		(37,000)	–	(44,000)
Net cash outflow from investing activities		(38,397)	(25,730)	(29,518)
Cash flows from financing activities				
Cash was applied to:				
Payment for lease principal		(1,769)	(1,320)	(1,465)
Net cash outflow from financing activities		(1,769)	(1,320)	(1,465)
(Decrease)/increase in cash and cash equivalents				
Effects of exchange rate changes on the balance of cash held in foreign currency				
		2	–	21
Opening balance of cash and cash equivalents		24,173	47,599	13,277
Closing cash and cash equivalents balance		22,988	43,906	24,173
Made up of:				
Cash at bank and on hand		1,669	18,906	1,923
Short-term deposits		21,319	25,000	22,250
Closing cash and cash equivalents balance		22,988	43,906	24,173

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

NIWA GROUP NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. Revenue and other gains

Rendering of services

The Group uses the 'percentage-of-completion method' to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the labour and non-labour costs incurred up to the end of the year as a percentage of total estimated costs for each contract.

Contract duration is typically 1–5 years and revenue is recognised over time as service is rendered. The customer pays a fixed amount over the contract term in accordance with the payment frequency specified in the contract.

Goods sold

The Group recognises revenue from the sale of goods when control of the goods has passed to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and there is a high probability that a significant reversal in the revenue recognised will not occur. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. The timing of the transfer of control varies depending on the individual terms of the sales agreement.

Government grants

Government grants are recognised under NZ IAS 20 when there is a reasonable assurance that the Group will comply with the conditions attached to the grant, and that the grant will be received.

Government grants related to costs are deferred and recognised in profit or loss over the period in which the Group incurs the costs for which the grant is intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as revenue in advance and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs, is recognised in profit or loss in the period in which the grant becomes receivable.

Strategic funding

NIWA and the Crown are parties to a *Strategic Science Investment Fund – Programmes* Investment Contract (SSIF Contract) under which the Crown contracts NIWA to perform research activities that support NIWA's Statement of Core Purpose (SCP). Specific SCP outcomes, and their associated delivery programmes, are agreed annually with Shareholding Ministers and documented in NIWA's Statement of Corporate Intent.

For financial reporting purposes this Strategic Funding is treated as a Government Grant in terms of NZ IAS 20. Strategic Funding received and recognised during the year was \$50.552 million exclusive of GST (2020: \$49.489 million). All Strategic Funded projects were completed during the year.

COVID-19 response and recovery fund

NIWA received \$8.27m from the Crown's COVID-19 Response and Recovery Fund during the year (2020: \$8.27m). This funding was intended to partially offset the revenue impact of COVID-19. For

financial reporting purposes, this contribution has been treated as a Government Grant under NZ IAS 20 and recognised as revenue during the year.

Financing components

The Group does not expect to have any significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money as this is considered to not have a material impact.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer, conditional on something other than the passage of time. If the Group performs under a contract by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are classified as 'Uninvoiced receivables' in the Statement of Financial Position.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services, a contract liability is recognised. Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract liabilities are classified as 'Revenue in advance' in the Statement of Financial Position.

Revenue and other gains

in thousands of New Zealand dollars	2021	2020
Research		
Strategic Funding	50,552	49,489
Rendering of services	50,289	36,041
COVID-19 Response and Recovery Funding	8,270	8,270
Commercial Science		
Rendering of services	61,862	60,061
Sale of goods	5,913	4,998
Dividends	1	1
Total revenue and other gains	176,887	158,860

Revenue recognised in relation to contract liabilities (revenue in advance)

in thousands of New Zealand dollars	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Rendering of services	13,653	13,328

2. Operating expenses

Employee benefits

in thousands of New Zealand dollars	2021	2020
Defined contribution plans	2,846	2,746
Defined contribution benefits	400	500
Termination benefits	124	203
Other employee benefits	74,757	73,208
Employee benefits expense	78,127	76,657

Termination benefits were paid out in respect of five employees.

Other expenses

in thousands of New Zealand dollars	2021	2020
Materials and supplies	10,067	8,297
Research collaboration	17,236	13,491
Property occupancy costs	4,383	4,459
Information technology	9,389	7,243
Remuneration of directors	261	283
Foreign currency (gain)/loss	(2)	(105)
Movement within loss allowance provision	(457)	1,487
Change in the fair value of derivatives	(16)	(4)
Other expenses	14,742	15,629
Total other expenses	55,603	50,780

Auditor's remuneration

in thousands of New Zealand dollars	2021	2020
Auditor's remuneration comprises:		
Audit of the financial statements (Group)	146	151
Audit of the financial statements (Subsidiary)	26	29
Total auditor's remuneration	172	180

3. Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits and annual leave, long service leave, retirement leave, and training leave are recognised when it is probable that settlement will be required, and they are capable of being measured reliably. Provisions, in respect of employee benefits, are measured using the remuneration rate expected to apply at settlement. Employee benefits are separated into current and non-current liabilities. Current liabilities are those benefits that are expected to be settled within 12 months from balance date.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

in thousands of New Zealand dollars	2021	2020
Remuneration		
Salary accrual	2,414	2,131
Annual leave	6,696	6,593
Training leave	385	305
Long service leave	867	820
Retirement leave	451	576
Total employee entitlements	10,813	10,425
Comprising:		
Current	9,934	9,406
Non-current	879	1,019

The provisions for long service leave, retirement leave, and training leave are dependent upon several factors that are determined by the expected employment period of employees, current remuneration, and the timing of employees' use of the benefits. Any changes in these assumptions will impact on the carrying amount of the liability. The employment period used to determine the appropriate long service leave liability is based upon historical average length of service. The training leave liability is based upon typical historical usage of the benefit.

4. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation to date, less any impairment losses.

Expenditure incurred on property, plant and equipment is capitalised where such expenditure will increase or enhance the future economic benefits provided by an asset's existing service potential. Expenditure incurred to maintain future economic benefits is classified as repairs and maintenance.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Property, plant and equipment items, except for freehold land and work in progress, are depreciated on a straight-line basis at rates estimated to write off their cost over their estimated useful lives, which are as follows:

Category	Useful life
Buildings and leasehold improvements	5–40 years
Vessels	20–31 years
Plant and equipment	8–10 years
IT equipment	3–8 years
Office equipment	5 years
Furniture and fittings	10 years
Motor vehicles	6 years
Small boats	10 years

Assumptions underlying the estimated useful life of assets include timing of technological obsolescence and future utilisation plans.

Major source of uncertainty

The useful lives of items of property, plant and equipment are key assumptions concerning the future that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Group reviews the estimated useful lives of property, plant and equipment items during each annual reporting period.

in thousands of New Zealand dollars	Land	Buildings & leasehold improvements	Vessels	Plant & equipment	IT equipment	Office equipment	Furniture & fittings	Motor vehicles	Small boats	Work in progress	Total
Cost											
Balance at 1 July 2020	15,768	54,832	40,718	106,112	34,694	7,477	1,970	4,491	3,637	19,106	288,805
Additions	–	14	2,329	3,158	1,641	459	264	133	–	14,139	22,137
Transfers	–	8,972	–	2,912	745	–	6	11	(2)	(12,644)	–
Disposals	–	–	(1,234)	(379)	(453)	(96)	(47)	(78)	–	–	(2,287)
Foreign currency adjustment	–	–	–	–	1	–	–	–	–	–	1
Balance at 30 June 2021	15,768	63,818	41,813	111,803	36,628	7,840	2,193	4,557	3,635	20,601	308,656
Accumulated depreciation and impairment losses											
Balance at 1 July 2020	–	40,520	26,435	79,560	19,166	6,575	1,291	3,670	2,183	–	179,400
Depreciation	–	4,412	1,994	6,601	4,263	444	103	316	186	–	18,319
Disposals	–	–	(1,132)	(342)	(450)	(93)	(47)	(72)	–	–	(2,136)
Foreign currency adjustment	–	–	–	1	–	–	–	–	–	–	1
Balance as at 30 June 2021	–	44,932	27,297	85,820	22,979	6,926	1,347	3,914	2,369	–	195,584
Net book value at 30 June 2021	15,768	18,886	14,516	25,983	13,649	914	846	643	1,266	20,601	113,072

in thousands of New Zealand dollars	Land	Buildings & leasehold improvements	Vessels	Plant & equipment	IT equipment	Office equipment	Furniture & fittings	Motor vehicles	Small boats	Work in progress	Total
Cost											
Balance at 1 July 2019	15,768	54,579	40,269	102,528	33,129	7,372	1,650	4,523	3,545	12,461	275,824
Additions	–	72	453	2,255	715	162	325	5	31	9,700	13,718
Transfers	–	192	(4)	1,682	1,009	–	–	51	125	(3,055)	–
Disposals	–	(11)	–	(356)	(163)	(57)	(7)	(88)	(64)	–	(746)
Foreign currency adjustment	–	–	–	3	4	–	2	–	–	–	9
Balance at 30 June 2020	15,768	54,832	40,718	106,112	34,694	7,477	1,970	4,491	3,637	19,106	288,805
Accumulated depreciation and impairment losses											
Balance at 1 July 2019	–	35,180	24,393	73,193	15,188	6,176	1,202	3,366	2,055	–	160,753
Depreciation	–	5,351	2,042	6,666	4,128	455	91	378	183	–	19,294
Disposals	–	(11)	–	(303)	(154)	(56)	(3)	(74)	(55)	–	(656)
Foreign currency adjustment	–	–	–	4	4	–	1	–	–	–	9
Balance as at 30 June 2020	–	40,520	26,435	79,560	19,166	6,575	1,291	3,670	2,183	–	179,400
Net book value at 30 June 2020	15,768	14,312	14,283	26,552	15,528	902	679	821	1,454	19,106	109,405

5. Right-of-use asset and lease liability

Reconciliation of right-of-use asset balance

in thousands of New Zealand dollars	2021	2020
Right-of-use asset net book value opening balance	8,861	9,218
Lease modifications and additions	1,451	898
Disposals	–	–
Depreciation	(1,494)	(1,253)
Foreign currency adjustment	1	(2)
Right-of-use asset net book value closing balance	8,819	8,861
Represented by:		
Cost	11,513	10,114
Accumulated depreciation	(2,694)	(1,253)
Right-of-use asset net book value closing balance	8,819	8,861

The Group's leases relate to buildings and land. These leases are recognised as a right-of-use asset and a corresponding liability. Each lease payment is allocated between the lease liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present-value basis. Lease liabilities include the net present value of fixed payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment, with similar terms and conditions.

Right-of-use assets are measured at cost, comprising the amount of the initial measurement of lease liability. These assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small storage spaces.

Reconciliation of lease liabilities

in thousands of New Zealand dollars	2021	2020
Net present value of future lease liability opening balance	11,339	11,908
Additions and modifications	1,450	898
Interest for the year*	392	407
Lease payments made	(2,161)	(1,873)
FX impact	2	(1)
Net present value of future lease liability closing balance	11,022	11,339
Current lease liability	1,996	1,460
Non-current lease liability	9,026	9,879
Total lease liabilities closing balance	11,022	11,339

* The total finance expense of \$398k shown in the statement of comprehensive income for 2021 comprises the lease interest of \$392k shown in the table above, together with other minor interest payments of \$6k.

Lease liabilities maturity analysis

in thousands of New Zealand dollars	Minimum lease payments	Interest	Present value
Within one year	2,338	(342)	1,996
One to five years	8,278	(817)	7,461
Beyond five years	1,734	(169)	1,565
Lease liabilities at 30 June 2021	12,350	(1,328)	11,022

in thousands of New Zealand dollars	Minimum lease payments	Interest	Present value
Within one year	1,841	(380)	1,461
One to five years	6,385	(1,010)	5,375
Beyond five years	4,870	(367)	4,503
Lease liabilities at 30 June 2020	13,096	(1,757)	11,339

Lease-related expenses included in the statement of comprehensive income

in thousands of New Zealand dollars	2021	2020
Depreciation	1,494	1,253
Short-term and low-value leases	507	639
Interest on leases	392	407
Total	2,393	2,299

6. Heritage assets

NIWA has one collection and three databases that have been defined as heritage assets. Heritage collection assets are those assets held for the duration of their physical lives because of their unique scientific importance, and heritage databases are maintained as an incidental part of existing business operations.

NIWA has the following heritage assets:

Type	Description
Marine Benthic Biology Collection	A national reference collection of marine invertebrates.
National Climate Database	A national electronic database of high-quality climate information, including temperatures, rainfall, wind, and other climate elements.
Water Resources Archive Database	A national electronic database of river and lake locations throughout New Zealand, including levels, quality, and flows.
New Zealand Freshwater Fish Database	A national electronic database of the occurrence of fish in the fresh waters of New Zealand, including major offshore islands.

The nature of these heritage assets, and their significance to the science NIWA undertakes, makes it necessary to disclose them. In the directors' view, the cost of these heritage assets cannot be assessed with any reliability, and accordingly these assets have not been recognised for financial reporting purposes.

7. Identifiable intangibles

Purchased identifiable intangible assets, comprising copyrights and software, are recorded at cost less amortisation and impairment. Amortisation is charged on a straight-line basis over the assets' estimated useful lives. The estimated useful life and amortisation method are reviewed each balance date.

Category	Useful life
Copyrights	5 years
Development costs	5 years
Software	3 years

Intangible assets which arise from development costs that meet the recognition criteria are recognised as an asset in the statement of financial position.

Capitalisation is limited to the amount which, taken together with any further related costs, is likely to be recovered from future economic benefits. Any excess is recognised as an expense. All other development and research costs are expensed as incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortisation and accumulated impairment losses, on the same basis as purchased identifiable intangible assets.

in thousands of New Zealand dollars	Software	Copyrights	Development costs	Work in progress	Total
Cost					
Balance as at 1 July 2020	10,135	215	352	363	11,065
Additions	736	–	22	185	943
Disposals	(3)	–	–	–	(3)
Transfers	434	–	–	(434)	–
Balance as at 30 June 2021	11,302	215	374	114	12,005
Accumulated amortisation and impairment losses					
Balance as at 1 July 2020	9,172	215	102	–	9,489
Amortisation	644	–	38	–	682
Disposals	(3)	–	–	–	(3)
Foreign Currency Adjustment	–	–	–	–	–
Balance as at 30 June 2021	9,813	215	140	–	10,168
Net book value at 30 June 2021	1,489	–	234	114	1,837

in thousands of New Zealand dollars	Software	Copyrights	Development costs	Work in progress	Total
Cost					
Balance as at 1 July 2019	9,459	215	352	–	10,026
Additions	424	–	–	615	1,039
Disposals	–	–	–	–	–
Transfers	252	–	–	(252)	–
Balance as at 30 June 2020	10,135	215	352	363	11,065
Accumulated amortisation and impairment losses					
Balance as at 1 July 2019	8,308	215	64	–	8,587
Amortisation	865	–	41	–	906
Disposals	–	–	–	–	–
Foreign Currency Adjustment	(1)	–	(3)	–	(4)
Balance as at 30 June 2020	9,172	215	102	–	9,489
Net book value at 30 June 2020	963	–	250	363	1,576

8. Assets held for sale

Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

No new assets were reclassified as held for sale in 2021 (2020: nil). The site at Mahanga Bay is in the process of being sold. This is expected to be finalised within the next twelve months, following delays in 2020 and 2021.

in thousands of New Zealand dollars	2021	2020
Land	245	245
Total	245	245

9. Receivables

Receivables are stated at amortised cost using the effective interest rate, less an allowance for expected losses.

A loss allowance provision is established when the assessment under NZ IFRS 9 deems a provision is required. Changes in the carrying amount of the provision are recognised in the Statement of Comprehensive Income. Debts which are known to be uncollectable are written off against the provision, once approved by the Board of Directors.

in thousands of New Zealand dollars	2021	2020
Trade receivables	18,952	14,120
Sundry receivables	108	66
Loss allowance provision	–	(1,640)
Total	19,060	12,546
Classified as:		
Non-current	–	–
Current	19,060	12,546
Total	19,060	12,546

Included in the Group's trade receivables balance at the end of the year is one Crown debtor's balance which equates to 37% of the Group's total receivables balance (2020: 24%). 100% of that debtor's balance is less than 60 days over-due and is deemed to be low credit risk (2020: 98%).

The Group considers that a large proportion of its customers have a low credit risk associated with them. Before providing any service or goods to a new customer on credit terms, a check is undertaken when deemed appropriate to verify the credit-worthiness of the customer.

The Group reserves the right to charge interest at a rate of 2% per month, calculated daily, on all invoices remaining unpaid at the due date.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$211k (2020: \$2,185k) which are more than 60 days past due at the reporting date. The Group has not created a provision for this balance because the amounts are still considered recoverable. The Group does not hold any collateral over past due or impaired balances.

The Group has applied the simplified approach to providing for expected credit losses, which requires the recognition of a lifetime expected loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of customers on a lifetime basis and the corresponding historical credit losses over a period of five years, adjusted for any significant known amounts that are not receivable. In addition, an expected credit loss allowance provision has been separately calculated in respect of the second debtor identified above as management assessed the risk of not collecting the debt as high. The total expected credit loss allowance provision has been determined as nil (2020: \$1,640k) for the Group.

in thousands of New Zealand dollars			Loss
As at 30 June 2021	Expected Loss Rate	Gross Carrying Amount	Allowance Provision
Current	0.0%	16,841	–
Past due 1–30 days	0.0%	1,473	–
Past due 31–60 days	0.0%	427	–
Past due 61–90 days	0.0%	131	–
Past due >90 days	0.0%	80	–
Total		18,952	–

10. Inventory

Inventory is stated at the lower of cost and net realisable value. The basis on which cost is calculated is first in first out (FIFO) for consumables, finished goods and work in progress; and weighted average for raw materials.

in thousands of New Zealand dollars	2021	2020
Consumables	461	364
Raw materials	273	167
Finished goods	1,758	2,044
Total	2,492	2,575

11. Income tax

The income tax expense for the year is the tax payable on the current year's taxable income, based on the income tax rate for each jurisdiction. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and changes in unused tax losses.

The income tax expense is determined as follows:

in thousands of New Zealand dollars	2021	2020
Income tax expense		
Current tax	6,774	4,793
Deferred tax relating to temporary differences	(443)	(2,181)
Income tax expense	6,331	2,612

Reconciliation of income tax expense

in thousands of New Zealand dollars	2021	2020
Profit before income tax	22,594	9,982
Tax at current rate of 28%	6,326	2,795
Adjustments to taxation:		
Other non-deductible expenses	30	29
Australian-based subsidiary subject to foreign tax	6	–
R&D tax concession (Australian-based subsidiary)	–	(12)
Reintroduction of building depreciation	–	(190)
(Over)/under provision in previous year	(31)	(10)
Income tax expense	6,331	2,612

12. Deferred tax liability and assets

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary

differences to the extent that it is probable that sufficient taxable amount will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on the tax laws that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred or current tax is also recognised in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

in thousands of New Zealand dollars	Opening balance	Credited/ (charged) to opening retained earnings	Credited/ (charged) to profit or loss	Closing balance
As at 30 June 2021				
Temporary differences				
Property, plant, and equipment	(4,263)	–	1,128	(3,135)
Library books	3	–	(2)	1
Uninvoiced receivables	(1,913)	–	61	(1,852)
Employee benefits	2,308	–	(142)	2,166
Unrealised forex gains/losses on creditors/debtors	(5)	–	(22)	(27)
Doubtful debts	459	–	(459)	–
Leases	687	–	(78)	609
R&D Tax credit (Australian-based subsidiary)	43	–	(43)	–
Total	(2,681)	–	443	(2,238)

in thousands of New Zealand dollars	Opening balance	Credited/ (charged) to opening retained earnings	Credited/ (charged) to profit or loss	Closing balance
As at 30 June 2020				
Temporary differences				
Property, plant, and equipment	(5,806)	–	1,543	(4,263)
Library books	4	–	(1)	3
Uninvoiced receivables	(1,645)	–	(268)	(1,913)
Employee benefits	1,738	–	570	2,308
Unrealised forex gains/losses on creditors/debtors	(16)	–	11	(5)
Doubtful debts	43	–	416	459
Leases	–	749	(62)	687
R&D Tax credit (Australian-based subsidiary)	71	–	(28)	43
Total	(5,611)	749	2,181	(2,681)

In accordance with the Income Tax Act 2007 the Group is not required to establish or maintain an imputation credit account by virtue of its classification as a Crown Research Institute.

13. Cash and cash flows

13a Cash and cash equivalents and other short-term investments

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid

investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Other short-term investments consists of deposits with financial institutions with maturities over three months which are presented as a separate line item in the statement of financial position.

13b Reconciliation of the profit for the year to net cash from operating activities

in thousands of New Zealand dollars	2021	2020
Profit for the year	16,263	7,370
Add/(less) non-cash items		
Net loss on disposal of property, plant and equipment	126	59
Depreciation and impairment	19,813	20,547
Amortisation of identifiable intangibles	682	906
Net foreign currency loss	(6)	5
Increase/(decrease) in deferred tax	(443)	–
	20,172	21,517
Add/(less) movements in working capital		
Increase/(decrease) in payables and accruals and revenue in advance	7,950	6,181
Increase/(decrease) in employee entitlements	388	977
Decrease/(increase) in receivables and prepayments	(6,794)	7,361
Decrease/(increase) in inventory and uninvoiced receivables	303	(902)
Increase/(decrease) in taxation payable and receivable	713	(642)
Increase/(decrease) in forward exchange derivatives	(16)	(4)
	2,544	12,971
Net cash flows from operating activities	38,979	41,858

14. Subsidiaries

The Group financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company. Control is achieved where the Company has the power (including the ability to use the power) to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income, and expenses are eliminated in full on consolidation. The subsidiaries of the Group and their activities are listed below:

Name	Country	Principal activities	Ownership
NIWA Vessel Management Ltd	New Zealand	Vessel charters for scientific research	100%
Unidata Pty Ltd	Australia	Supplier of environmental technology products	80%
EcoConnect Ltd	New Zealand	Non-trading company	100%
NIWA Australia Pty Ltd	Australia	Non-trading company	100%
NIWA Environmental Research Institute	USA	Non-trading company	100%
NIWA Natural Solutions Ltd	New Zealand	Non-trading company	100%

All subsidiaries have a balance date of 30 June.

No stake in any subsidiary was acquired or disposed of during the year.

15. 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 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 interest register for employees. The interests register containing all relevant interests is updated on a regular and timely basis.

Key management personnel compensation

in thousands of New Zealand dollars	2021	2020
Short-term benefits	3,655	3,709

The table above includes the remuneration of the Chief Executive, Executive Team and the Board of Directors.

16. Financial instruments and risk management

The classification of financial assets and liabilities depends on the purpose for which the financial assets and liabilities were incurred. Management determines the classification of the Group's financial assets and liabilities at initial recognition.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories: those to be measured at amortised costs, and those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss). The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will be recorded in either profit or loss, or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when, and only when, its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets and liabilities at fair value through profit or loss – Derivative financial instruments

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management.

Derivatives are also categorised as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the Statement of Comprehensive Income.

Financial Assets at Amortised Cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 9 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Capital management

The Group has the following requirements imposed upon it under the Crown Research Institutes Act 1992:

- to operate in a financially responsible manner so that sufficient operating funds are generated to maintain financial viability;
- to provide an adequate rate of return on shareholders' funds; and
- to operate as a going concern.

The Group's policy is to maintain a strong capital base to maintain shareholder and creditor confidence and to sustain future development of the business.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The advance facility available from ANZ Bank (refer note 16 subsection financing facilities) is subject to two covenants:

1. That the value of the Group's net tangible assets is greater than \$50 million; and
2. That ANZ reserves the right to review the facility in the event of a change in the shareholding structure.

The Group was compliant with these covenants throughout the year.

Capital refers to the equity and borrowings of the Group.

There have been no material changes in the Group's management of capital during the year.

Fair value of financial instruments

The carrying value of all financial instruments is considered to approximate fair value.

All the Group's financial instruments are classified as being within level 2 of the fair value hierarchy as defined by NZ IFRS 13 Fair Value Measurement (2020: the same). Their fair value is determined with reference to quoted rates for identical instruments on active markets.

Credit risk

Credit risk is the risk that a third party will default on its obligations to NIWA and the Group, causing a loss.

In the normal course of business, the Group incurs credit risk from trade receivables, uninvocated receivables, and transactions with financial institutions (cash and short-term deposits and derivatives).

The Group has a credit policy that is used to manage this risk. As part of this policy, limits are placed on the amounts of credit extended to third parties, and care is taken to ensure the credit-worthiness of third parties dealt with. All credit risk exposures are monitored regularly.

The Group does not require any collateral or security to support financial instruments, because of the quality of financial institutions and counterparties it deals with. There are no significant concentrations of credit risk, other than with the New Zealand Government, which the Group does not consider represents a material credit risk.

The exposure to the Group to credit risk as at 30 June 2021 was \$88,686k (total exposure to credit risk, comprising cash and cash equivalents \$22,988k, other short-term investments \$40,000k, uninvocated receivables \$6,614k, and receivables net of provisions \$19,084k) (2020: \$68,553k).

Further analysis on the receivables balance can be found in note 9.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk by geographic region is as follows:

in thousands of New Zealand dollars	2021	2020
New Zealand	86,294	67,596
Australia	1,424	1,188
USA	506	322
Other Asia Pacific countries	317	725
Other regions	145	362
Provision for doubtful debts	–	(1,640)
Total credit risk	88,686	68,553

Interest rate risk

Interest rate risk is the risk that cashflows will fluctuate because of changes in market interest rates. This could particularly affect the return on investments.

The interest rates on the Group investments as at 30 June:

	2021	2020
Cash (on call)	0.15–0.25%	0.30%
Other short-term	0.63–2.40%	1.77–2.40%

The directors do not consider there is any significant exposure to interest rate risk.

Currency risk

The Group undertakes transactions in foreign currencies from time to time, and, resulting from these activities, exposures in foreign currency arise. It is the Group's policy to hedge foreign currency trading transaction risks economically as they arise. To manage these exposures, the Group may use financial instruments such as forward foreign exchange contracts. At balance date, the Group had forward foreign exchange arrangements in place with a New Zealand dollar (NZD) fair value of \$8k (2020: \$(8)k).

The Group's exposure to foreign currency denominated non-derivative financial instruments was as follows, based on notional amounts:

in thousands of New Zealand dollars							
30 June 2021	AUD	EUR	USD	FJD	GBP	CAD	SGD
Cash balances	1,170	11	15	4	10	2	13
Trade receivables	453	–	6	–	–	–	33
Trade payables	(92)	(27)	(41)	–	(7)	–	(5)
Statement of financial position exposure	1,531	(16)	(20)	4	3	2	41

in thousands of New Zealand dollars							
30 June 2020	AUD	EUR	USD	FJD	GBP	CAD	SGD
Cash balances	696	1	83	4	34	5	11
Trade receivables	494	24	159	–	117	–	446
Trade payables	(88)	(11)	(10)	–	(13)	–	–
Statement of financial position exposure	1,102	14	232	4	138	5	457

NIWA has a regularly reviewed treasury management policy in place which ensures the appropriate management of currency risk.

Liquidity risks

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Payables and accruals of \$9.040 million (2020: \$6.801 million) have a contractual maturity of less than one year. This is based upon the earliest date on which the Group can be required to pay.

Financing facilities

The Group has access to financing facilities made available by ANZ Bank with a total value of \$10.5 million (2020: \$10.5 million). This was undrawn at 30 June 2021 (2020: also undrawn). The total facility of \$10.5 million relates to an overdraft facility of \$0.5 million (on-call) and an overnight placement and short-term advance facility of \$10 million.

17. Capital commitments

in thousands of New Zealand dollars		2021	2020
Commitments for future capital expenditure			
Contracted, but not provided for		34,357	3,334

The majority of the 2021 balance relates to construction contracts that have been awarded for the NIWA Hamilton and NIWA Twizel offices.

18. Impact of COVID-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. On 25 March 2020 New Zealand went into a stage 4 lockdown requiring all non-essential businesses whose employees could not work from home to close for a four-week period (extended by a further 5 days to 27 April 2020). Further regional lockdowns at Alert Level 3 occurred in Auckland during August 2020 and February 2021.

During the period when New Zealand was at COVID-19 Alert Level 4, all vessel voyages, field and laboratory work was cancelled. All NIWA staff worked from home to the extent possible. The only very limited exceptions to these arrangements were in respect of staff operating services authorised by the Government as 'essential' including hazard monitoring, biosecurity and the maintenance of animal facilities. At Alert Level 3, some additional laboratory, vessels and field work was possible, under carefully managed COVID-safe conditions. At Alert Level 2, all staff were able to return to their normal work environments.

While commercial revenue was expected to be affected in 2020/21 due to the uncertain economic environment resulting from the COVID-19 pandemic, the impacts were less than expected and commercial revenue out-performed NIWA's prudently conservative budget expectations for 2020/21. The Group also continued to receive research funding from the Government at planned levels. This accounted for approximately 62% of revenue earned in 2020/21 and included a further \$8.27m of funding from the COVID-19 Response and Recovery Fund (note 1). The aim of this funding was to ensure the Group could maintain critical science and research capability, essential services, and planned capital investment programmes. With the support of this funding, NIWA has maintained all of these capabilities and programmes.

Current and future economic conditions do not have a significant impact on the valuation of assets and liabilities at balance date as the majority are measured at cost. Management has reviewed all assets for potential impairment and is satisfied that none exists.

There is no other material impact of COVID-19 on the financial statements. Management and the Board continue to monitor developments as they occur.

19. Subsequent events

There are no material events occurring subsequent to 30 June 2021 which require adjustment or disclosure in the financial statements.

PREPARATION DISCLOSURES

Reporting entity

National Institute of Water and Atmospheric Research Limited ('NIWA' or 'the Company') and its subsidiaries form the consolidated Group ('the NIWA Group' or 'the Group'). NIWA is a profit-oriented 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 above.

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

All amounts disclosed in the financial statements and notes have been rounded to the nearest thousand New Zealand dollars unless otherwise stated.

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.

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information for the year ended 30 June 2020.

The 2021 Statement of Corporate Intent (SCI) Budget that is used for comparative information is not audited.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with 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).

Goods and services tax (GST)

The financial statements are prepared on a GST-exclusive basis, except for receivables and payables, which are stated GST-inclusive.

Foreign currencies

Transactions

Transactions in foreign currencies are converted to the functional currency of the Group, being New Zealand dollars, by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each year, monetary assets and liabilities are translated to New Zealand dollars using the closing rate of exchange at balance date, and any exchange gains or losses are recognised in the statement of comprehensive income.

Translation of foreign operations

On consolidation, revenues and expenses of foreign operations are translated to New Zealand dollars at the average exchange rates for the year. Assets and liabilities are converted to New Zealand dollars at the rates of exchange ruling at balance date. Exchange rate differences arising from the translation of the foreign operations are recognised in other comprehensive income and accumulated as a separate component of equity in the Group's foreign currency translation reserve. Such exchange differences are reclassified from equity to profit or loss (as a reclassification adjustment) when the foreign operation is disposed of.

Adoption of new and revised standards

There are no standards that are not yet effective and that would be expected to have a material impact on the Group.

AUDITOR'S REPORT



Independent auditor's report

To the readers of National Institute of Water and Atmospheric Research Limited's Group financial statements for the year ended 30 June 2021.

The Auditor-General is the auditor of National Institute of Water and Atmospheric Research Limited Group (the Group). The Auditor-General has appointed me, Troy Florence, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 15 to 28, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Our audit was completed on 25 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors has to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information obtained at the date of our report is the Financial Summary and Group actual performance versus Statement of Corporate Intent on pages 11 to 14, and the Corporate governance and disclosures, Statement of responsibility and Directory on pages 30 to 33, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

Troy Florence
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland

CORPORATE GOVERNANCE AND DISCLOSURES

Board and committee meeting attendance

The table below shows director attendance at these Board meetings and committee member attendance at committee meetings. In addition, any director may attend any committee meeting.

Director	Board meetings	ALCR Committee*	People & Culture Committee*	Future Property Programme Governance Committee*
Barry Harris (Chairman)	9	5**	2**	1**
Nicholas Main (Deputy Chairman)	9	5	–	2
Dr Helen Anderson	7	–	3	–
Dr Tracey Batten	9	4	–	2
Prof. Gillian Lewis	8	–	3	2
Mary-Anne MacLeod	9	5	3	–
Total meetings held	9	5	3	2

* Only attendances by Committee members and Chairman are recorded.

**Barry Harris attends Committee meetings in an *ex officio* capacity.

Directors' remuneration

The total remuneration received or receivable by directors of NIWA during the year was:

in thousands of New Zealand dollars	2021	2020
Barry Harris (Chairperson)	72	72
Nicholas Main (Deputy Chairperson)	45	45
Dr Helen Anderson	36	36
Dr Tracey Batten	36	36
Prof. Gillian Lewis	36	36
Mary-Anne Macleod	36	36
Michael Pohio	–	22

Subsidiary company directors

The following people held office as directors of NIWA's subsidiary companies at 30 June 2021:

Subsidiary Company	Directors
NIWA Vessel Management Ltd	B Harris, N Main, H Anderson, T Batten, G Lewis, M-A Macleod
Unidata Pty Ltd	W Johnston (from September 2020) ¹ , C Pearson ¹ , D Saunders ² , B Biggs (resigned August 2020) ¹ , B Cooper (resigned May 2021) ¹
EcoConnect Ltd	J Morgan ¹ , P Baker ¹
NIWA Australia Pty Ltd	B Harris, N Main, H Anderson, T Batten, G Lewis, M-A Macleod
NIWA Environmental Research Institute	B Harris, N Main, H Anderson, T Batten, G Lewis, M-A Macleod
NIWA Natural Solutions Ltd	J Morgan ¹ , P Baker ¹

1. Employee of the Group's parent company
2. Appointed by the minority ownership interest in Unidata Pty Ltd

No fees were paid in respect of membership of subsidiary boards.

Insurance for directors and employees

The NIWA Group has arranged insurance policies for directors and employees which, with a deed of indemnity, ensure that they will generally incur no monetary loss as a result of lawful actions undertaken by them as directors or employees. These include, among others, directors and officers and professional indemnity policies. Certain risks are specifically excluded from the cover provided, including the imposition of penalties and fines in respect of breaches of the law.

Auditors

In accordance with Section 21(1) of the Crown Research Institutes Act 1992, the Group's auditor is the Auditor-General. The Auditor-General has appointed Troy Florence of PricewaterhouseCoopers to conduct the audit on his behalf. The audit remuneration and fees paid for other services are detailed in note 2.

Interests register

The following are transaction types recorded in the interests register for the year.

Interested transactions

Any business the NIWA Group has transacted in which a director has an interest has been carried out on a commercial basis. Any potential conflict is recorded in the minutes of Board meetings. A register containing all relevant interests is updated on a monthly basis.

Directors' remuneration

Details of the directors' remuneration are provided in the 'Directors' remuneration' section above.

Use of company information by directors

Pursuant to section 145 of the Companies Act 1993 there were no recorded notices from directors requesting to use company information received in their capacity as directors that would not otherwise have been available to them.

Share dealings

During the year no director purchased, disposed of, or had recorded dealings of any equity securities of the NIWA Group.

Directors' loans

No loans by the NIWA Group to any director were made or were outstanding during the year.

Disclosure of directors' interests

Directors disclosed, under section 140(2) of the New Zealand Companies Act 1993, the following interests as at 30 June 2021:

Director and company	Position
Barry Harris	
McFall Fuel Ltd	Chair
Rural Fuel Ltd	Chair
OSPRI New Zealand Limited	Chair
TB Free Ltd	Chair
National Animal Identification and Tracing (NAIT) Ltd	Chair
New Zealand Food Innovation (Waikato) Ltd	Chair
Waikato Regional Airport Ltd	Chair
WEL Networks Ltd	Director
UltraFast Fibre Ltd	Director (until September 2020)
Nicholas Main	
Middlemore Foundation for Health Innovation	Chair of the Board of Trustees
Westpac (NZ) External Stakeholder Panel	Chair (until March 2021)
Padstow Properties Ltd	Director and shareholder
Main Investment Trust	Trustee
Sadhna Valabh Trust	Trustee (from July 2020)

Manjula and Adhurji Valabh Trust	Trustee (from July 2020)
Sir Peter Blake Trust	Trustee
Deloitte New Zealand Ltd	Consultant
Westpac (Australia)	Member (until March 2021)
Stakeholder Advisory Council	
Mahoenui Trust	Trustee (until July 2020)
Tracey Batten	
EBOS Group Ltd	Director (from July 2021)
Medibank Private Limited (Australia)	Director
Accident Compensation Corporation	Director
Abano Healthcare Group Ltd	Director (until February 2021)
Mary-Anne Macleod	
MacMacleod Limited	Director and shareholder
DairyNZ Limited	Director (from September 2020)
Bay Venues Limited	Director
Environmental Protection Authority	Director
New Zealand Transport Agency	Consultant
Ministry for the Environment	Strategic Advice (from February 2021)
Various Regional Councils	Occasional consultancy
House of Science NZ Charitable Trust	Trustee (until September 2020)
Helen Anderson	
BRANZ Ltd	Chair
BRANZ Inc	Chair
New Zealand Forest Research Institute Ltd	Chair
Scion	
Studio Pacific Architecture Ltd	Chair
ClearPoint Ltd	Chair, Advisory Board
Helen Anderson Family Trust	Trustee
New Zealand Antarctic Research Institute	Trustee
Anderson Associates NZ Ltd	Director
AWPT Ltd	Director
Antarctica NZ	Director
Ministry for Primary Industries, Risk and Assurance Committee	Member
Statistic NZ – Risk & Assurance Committee	Member (from May 2020)
NZ Police Assurance and Risk Committee	Member (until June 2020)
DairyNZ Ltd	Director (until October 2020)
DairyNZ Incorporated	Director (until October 2020)
Gillian Lewis	
Biocide Toolbox Programme	Associate Investigator
University of Auckland	Proctor
University of Auckland	Associate Dean Sustainability Faculty of Science

Employees' remuneration

The number of employees (not including directors) whose remuneration exceeded \$100,000 during the year, stated in brackets of \$10,000, was:

	2021
100,000–109,999	77
110,000–119,999	66
120,000–129,999	38
130,000–139,999	40
140,000–149,999	15
150,000–159,999	12
160,000–169,999	10
170,000–179,999	5
180,000–189,999	11
190,000–199,999	6
200,000–209,999	6
210,000–219,999	2
220,000–229,999	2
250,000–259,999	1
290,000–299,999	1
320,000–329,999	1
340,000–349,999	2
360,000–369,999	1
650,000–659,999	1

The remuneration reflected in the above table comprises base salary only. This excludes payments in respect of superannuation or in respect of the cessation of employment of employees.

In 2021, the Group made payments of \$124k for compensation or other benefits in respect of the cessation of employment of employees (2020: \$203k).

Executive Remuneration

Remuneration Components

The Group's Executive Team (ET), including the Chief Executive, receive fixed remuneration only. This consists of base salary and benefits, including KiwiSaver and insurance.

Chief Executive's remuneration

The Chief Executive's remuneration package that applied for 2021, together with the comparative information for the prior year, is as follows:

in New Zealand dollars	2021	2020
Base salary ¹	659,064	661,116
Benefits ²	59,606	53,880
Total Remuneration	718,670	714,996

Note 1: Actual salary paid includes holiday pay paid consistent with New Zealand legislation. The base salary for 2021 was \$658,711 (2020: \$658,711).

Note 2: Benefits include KiwiSaver, insurance and vehicle fuel expenses. The increase in benefits in 2021 is mainly due to higher insurance premiums.

The Chief Executive is a member of KiwiSaver. As a member of this scheme, all Group staff, including the Chief Executive, are eligible to contribute and receive a matching company contribution up to a maximum of 5% of gross taxable earnings. In 2021, the Group's contribution was \$32,953 (2020: \$33,056).

A summary of the Chief Executive's total remuneration during the past five years is as follows:

	Total remuneration
2021	718,670
2020	714,996
2019	706,512
2018	687,978
2017	672,106

Executive Team remuneration

In addition to the Chief Executive, NIWA's Executive Team consists of eight members. The remuneration package for all Executive Team members combined (excluding the Chief Executive) that applied for 2021, together with the comparative information for the prior year, is as follows:

in New Zealand dollars	2021	2020
Base salary ¹	2,478,652	2,470,929
Benefits ²	197,114	239,932
Total Remuneration	2,675,766	2,710,861

Note 1: Actual salaries paid includes holiday pay paid consistent with New Zealand legislation. The base salaries for 2021 totalled \$2,414,970 (2020: \$2,403,941).

Note 2: Benefits include employer contributions to superannuation schemes (KiwiSaver or legacy government superannuation schemes, as applicable), insurance and wellness allowances.

Donations

Donations of \$1,000 were made during the year (2020: \$1,034).

STATEMENT OF RESPONSIBILITY

The following statement is made in accordance with section 155 of the Crown Entities Act 2004.

1. The Board of the Company is responsible for the preparation of these financial statements and the judgements used therein.
2. The Board of the Company is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Board, these financial statements reflect a true and fair view of the financial position and operations of the Group for the year ended 30 June 2021.



Barry Harris
Chairman

25 August 2021



Nicholas Main
Deputy Chairman

DIRECTORY

Directors

Barry Harris, Chairman
Nicholas Main, Deputy Chairman
Dr Tracey Batten
Mary-Anne Macleod
Dr Helen Anderson (until 30 June 2021)
Prof. Gillian Lewis (until 30 June 2021)

Executive Team

John Morgan, *Chief Executive*
Dr Rob Murdoch, *Deputy Chief Executive and General Manager, Science*
Geoff Baird, *General Manager, Communications & Marketing*
Patrick Baker, *Chief Financial Officer*
Dr Mary-Anne Dehar, *General Manager, People & Capability*
Warrick Johnston, *General Manager, Technology & Innovation*
Dr Helen Neil, *General Manager, Operations*
Marino Tahī, *General Manager, Māori & Pacific Partnerships*
Dr Alex Thompson, *General Manager, Research Strategy*
Dr Bryce Cooper, *General Manager, Strategy* (until 31 May 2021)

Registered office and address for service

41 Market Place
Auckland Central 1010
New Zealand

Auditor

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

Bankers

ANZ Bank New Zealand Ltd
ASB Bank Ltd
Westpac New Zealand Ltd

Solicitors

Meredith Connell
Atkins Holm Majurey

Insurance broker

Marsh Ltd

Head office

41 Market Place
Auckland Central 1010

Private Bag 99 940
Newmarket 1149, Auckland
New Zealand

Tel +64 9 375 2050
Fax +64 9 375 2051

Website and social media

www.niwa.co.nz
weather.niwa.co.nz
facebook.com/nzniwa
twitter.com/niwa_nz
twitter.com/niwaweather
instagram.com/niwa_science
linkedin.com/company/niwa

Science for a resilient future



NIWA

Taihoro Nukurangi

Climate, Freshwater & Marine Science