NIWA
Taihoro Nukurangi

NIWA
GROUP HALF YEARLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2017

G. 41

ENHANCING THE BENEFITS OF NEW ZEALAND'S NATURAL RESOURCES

Half Yearly Report

for the six months ended 31 December 2017

Overview

At the half year stage NIWA's revenue, profit and cash flow metrics are exceeding budget.

All science objectives as outlined in the 2017/18 Statement of Corporate Intent are on track, and good progress has been made with the implementation of initiatives to improve NIWA's operational efficiency and effectiveness.

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

Financial Results

NIWA's turnover at $68.833 million was ahead of the budgeted revenue of $64.145 million and represented an improvement of $5.385 million compared with the same period last year. An after taxation profit of $0.259 million was better than budget by $2.605 million.

Although in line with budget, expenses were $4.207 million higher than during the same period last year. This was due to higher science staff numbers as well as increased spending on materials and supplies, both driven by the revenue growth noted above.

The closing cash position (including other short-term investments) continues to be favourable, being $1.868 million ahead of the budgeted balance of $29.220 million. This was due both to the timing of capital purchases and to positive profit performance.

Financial KPIs

The majority of NIWA's financial KPIs for the first half of the year were in line with or exceeded the budget set out in its Statement of Corporate Intent (SCI), as illustrated in the table below.

Ratios and Statistics
as at 31 December 2017

	Actual Year to date	SCI Year to date	SCI Full year
Revenue and other gains ($000s)	68,833	64,145	148,669
Liquidity			
Current ratio	1.7	1.3	1.4
Quick ratio (aka Acid test)	3.6	3.3	2.0
Profitability (%)			
Adjusted return on equity*	0.3	(2.6)	6.2
Return on equity	0.2	(2.1)	5.0
Return on assets	(0.2)	(2.5)	4.2
Operational risk (%)			
Profit volatility	33.3	43.9	6.9
Forecasting risk (non-adjusted ROE)	1.5	1.1	1.1
Coverage			
Interest cover	N/A	N/A	N/A
Growth/Investment (%)			
Capital renewal	101.5	230.4	209.6
Financial strength ($000s)			
Cash and other short-term Investments	31,088	29,220	21,182

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

Collaboration

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

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

A total of 111 papers were published involving NIWA staff during the first half of the year. Of these papers, 94% involved NIWA scientists collaborating with one or more other organisations.

At a ***national*** level, 49% of the total reflected collaboration with New Zealand organisations, the most frequent collaborations being with the University of Auckland (21 papers), the University of Otago and University of Canterbury (6 papers each). These levels of collaboration are significantly above what would be indicated through conventional financial measures such as subcontracting, highlighting a diversity of collaborative models. In addition, there is demonstrable science collaboration with end users – the Department of Conservation (3 papers) and the Ministry for Primary Industries (5 papers).

At an ***international*** level, 71% involved collaboration with international organisations from 40 countries, most frequently with the USA (37 papers), Australia (31 papers), Germany (8 papers), UK (24 papers), Japan (6 papers), and Canada (9 papers). The stability and consistency of these indicators in every quarter show that NIWA is deliberately collaborative – leading and participating in world-leading teams to undertake high-quality research for the benefit of New Zealand.

Technology and knowledge transfer

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

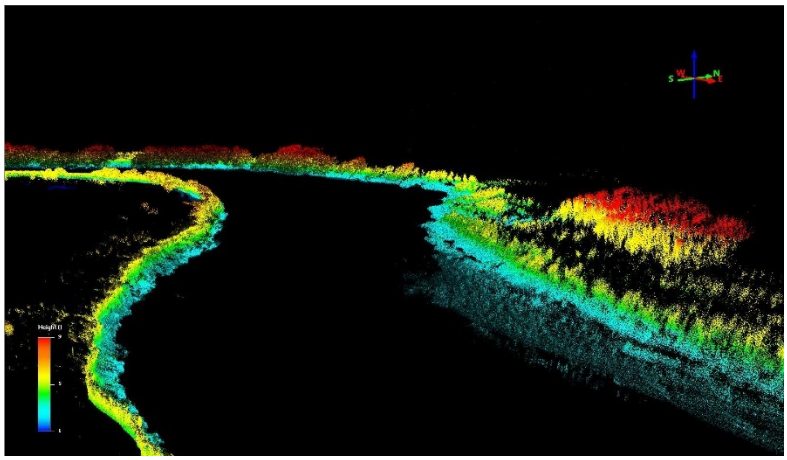
End-user reports and presentations
NIWA completed 218 reports for end users, which supported the information needs of a wide range of central and local government agencies, industry organisations (particularly in the energy and aquaculture sectors) and international agencies. Many of these reports were specifically focused on the technical staff in stakeholder organisations.

NIWA staff made 90 presentations at a wide variety of national and international conferences, workshops, seminars and meetings, including under the auspices of the National Science Challenges. There were many more informal presentations and discussions through which information was transferred.

Positive impacts of NIWA Science

NIWA's science covers a broad range of activities, as indicated by our National Centre structure (refer to the 2017/18 Statement of Corporate Intent). Some examples of how we have advanced science in our spectrum, and the resulting benefits to end users, are given below.

Developing new technologies. NIWA's Managing Mud Research Programme is focused on exploring the sources, characteristics, dynamics, and fate of fine sediment in New Zealand's rivers and estuaries. A key source is from river bank erosion; however, traditional methods of measuring bank erosion have struggled to accurately capture volumes of erosion at a reach scale, making it difficult to quantify its relative contribution. NIWA's new mobile mapping system (Snoopy) has the potential to transform our ability to measure bank erosion, and thereby improve understanding of its contribution and dynamics. Snoopy is a miniaturised LiDAR (laser) scanner capable of capturing thousands of measurements per second and is ideally suited for rapidly surveying dry areas of river channels. By attaching Snoopy to the back of a jetboat, NIWA has recently surveyed a 5 km reach of the Oreti River in Southland, capturing accurate, high resolution measurements of both banks in under 30 minutes (scan time). The same reach will be resurveyed after the next large flood event and data will be used to calculate the volume of change. This will give, for the first time, detailed information on bank erosion that will enable stakeholders to understand and plan for mitigation options.



← *Point cloud data from a small section of the surveyed reach.*

Another example of developing new technologies is in research on the deepest parts of the ocean. At present, NIWA has limited time-series information about the ecology and sediments on the seabed at depths of 6,000–11,000 metres, and this is a gap in knowledge that needs to be filled, but there are significant science challenges in acquiring data. As part of a science initiative to extend our underwater ecological horizons, NIWA has designed and built three Benthic Landers that have to work in a crushing environment of up to 1,100 times atmospheric pressure, caused by the weight of kilometres of seawater bearing down on it. The landers are designed to freefall to the ocean floor and, on release, float back to the surface for recovery. While on the seabed, new energy-efficient lights, with natural colour rendition, illuminate the terrain for high-definition photography. A lander can be fitted with water samplers, current meters and baited traps. This new technology is currently undergoing trials; if successful, it will mean that scientists may soon be able to reveal more of the undersea processes taking place, using a new robust undersea module that will meet the challenges of recording the ecosystem on the sea floor, beyond the continental shelf and down into the abyss and trenches. One of the landers is to be deployed from the RV *Kaharoa* and trialled during a Kermadec Trench survey later this year.

International significance of N.Z. atmospheric data. The zone between 400 and 800 kilometres above New Zealand had a busy time this quarter, with a fleet of satellites targeting NIWA's Lauder site in Central Otago to compare their measurements of atmospheric gases with our high quality, ground-based ones. These satellites included: *Sentinel-5 Precursor* (which was launched on 13 October and had its first overflight on the weekend of 18 November); *SAGE III* (mounted on the International Space Station, the Stratospheric Aerosol Gas Experiment III instrument has been taking measurements during Solar and Lunar occultations – the photo shows the launch of an ozone sonde in the middle of the night for SAGE III validation); *Orbiting Carbon Observatory (OCO)-2* (which suffered an equipment failure earlier this year causing the spacecraft to be operated in a restricted manual mode, but the OCO-2 science team still requested two targeting manoeuvres to collect data over Lauder this quarter because of the value of our observations); and *GOSAT* (the Japanese Greenhouse Gases Observing Satellite (GOSAT), also known as Ibuki, which continues to make targeted measurements over Lauder around 10 times a month).

The comparison of the satellite data with our high-quality, ground-based measurements helps to validate the accuracy of the satellite measurements; which is one reason why the NIWA data are so important and sought after. The value of our involvement is indicated in the publication this quarter of a paper that discussed how in 2016 there was a record increase in CO_2 concentration in the atmosphere despite the lack of growth in global emissions. The publication of this information generated significant media coverage, and NIWA data contributed to our understanding of the cause of this increase through our role in supporting and validating the satellite observations on which the paper is based. The paper (*The Orbiting Carbon Observatory (OCO-2) tracks 2–3 peta-gram increase in carbon release to the atmosphere during the 2014–2016 El Niño*) compares satellite- and ground-based observations of CO_2 with atmospheric chemistry-transport models to estimate the extra carbon released compared to 2014. It was found that the excess CO_2 flux in 2016 was primarily due to a reduction in vegetation uptake because of drought, and to a lesser degree from increased biomass burning.

Post-earthquake marine changes. The Kaikōura earthquake of 2016 had a significant effect on the marine environment. In some of NIWA's post-2016 research we found that the earthquake triggered a canyon sediment-flushing event that was larger than the entire *annual* mud discharge from *all* New Zealand's rivers. This finding has been included in a manuscript submitted to *Science Advances* (an online sub-journal of *Science*). We suggest as a result that earthquake-induced canyon flushing events are the single biggest mechanism for the transport of terrigenous material from continental margins to the deep ocean, and one of the key drivers for the morphological development of canyons on active margins.

We also have found in a recent Kaikōura canyon survey from our vessel *Tangaroa* that there are early signs of deepsea ecosystem recovery, 10 months after the powerful submarine mudflows triggered by the earthquake wiped out organisms living in the seabed. The voyage was specifically designed to sample the seafloor that had been scoured or buried by mudflows, to begin to determine the potential recovery of the deepsea ecosystem. Juveniles of animals that once dominated the head of the canyon have now begun colonising the seafloor faster than we originally expected, with high densities of small

organisms such as urchins and sea cucumbers in some areas of the canyon, as well as large numbers of rattail fishes swimming immediately above the seabed. This research contributes significantly to our understanding of the ecological dynamics and resilience of these canyons, because normally we do not see what happens ecologically when a system shows such a complete 're-set' as this one was after the earthquake.

High public interest in science. NIWA coastal marine ecology scientists and technicians undertook a five-week research expedition to Antarctica this quarter, where they investigated the resilience of Antarctic biota and ecosystems to climate-related environmental changes. The NIWA-led team (which also included researchers from the University of Helsinki and the University of Auckland) set up a field camp on coastal sea ice at New Harbour, and safely completed more than 100 scuba dives to conduct exacting manipulative experiments, collect information on food webs, and assess changes in seafloor ecology that have occurred since 2001 and 2009 (the prior visits to New Harbour). Images, videos and short reports were uploaded from the field via satellite link to the expedition's "Science Under the Ice" Facebook page (https://www.facebook.com/ScienceUnderTheIce/) to show the world how and why we do science under the ice. The page received about 3,700 video views in one week alone, and about 22,000 people have read, clicked on or reacted in some way to our posts. The work has also been picked up by major media outlets in several countries, including New Zealand's TV3. The 2016–19 project was funded by the New Zealand Antarctic Research Institute, with matching in-kind support from the University of Helsinki, the University of Auckland and the University of Waikato.

Christopher Mace

Chairman

John Morgan

Chief Executive

January 2018

Statement of comprehensive income
for the 6 months ended 31 December 2017

in thousands of New Zealand dollars	Note	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Revenues and other gains	1			
Revenue		68,832	63,330	142,617
Other gains		1	118	1
Total income		**68,833**	**63,448**	**142,618**
Operating expenses	2			
Employee benefits expense		(34,349)	(32,597)	(65,766)
Other expenses		(27,009)	(24,554)	(56,020)
		(61,358)	**(57,151)**	**(121,786)**
Profit/(loss) before interest, income tax, depreciation and amortisation		**7,475**	**6,297**	**20,832**
Depreciation and impairment		(7,140)	(7,213)	(14,775)
Amortisation		(493)	(430)	(978)
Profit/(loss) before interest and income tax		**(158)**	**(1,346)**	**5,079**
Interest income		519	403	871
Finance expense		–	(3)	–
Net interest and other financing costs		**519**	**400**	**871**
Profit/(loss) before income tax		**361**	**(946)**	**5,950**
Income tax credit/(expense)		(102)	265	(1,700)
Profit/(loss) for the period		**259**	**(681)**	**4,250**
Other comprehensive income				
Foreign currency translation differences for foreign operations		48	152	(17)
Total comprehensive income for the period		**307**	**(529)**	**4,233**
Profit/(loss) attributable to:				
Parent interest		275	(684)	4,231
Minority interest		(16)	3	19
Profit for the period		**259**	**(681)**	**4,250**
Total comprehensive income attributable to:				
Parent interest		323	(532)	4,214
Minority interest		(16)	3	19
Total comprehensive income for the period		**307**	**(529)**	**4,233**

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

Statement of changes in equity
for the 6 months ended 31 December 2017

in thousands of New Zealand dollars	Note	Share capital	Retained earnings	Minority interest	Foreign currency translation reserve	Total equity
Balance at 1 July 2016 (Audited)		**24,799**	**84,582**	**216**	**(260)**	**109,337**
Profit for the year		–	(684)	3	–	(681)
Translation of foreign operations		–	–	–	152	152
Total comprehensive income		–	(684)	3	152	(529)
Balance at 31 December 2016 (Unaudited)		**24,799**	**83,898**	**219**	**(108)**	**108,808**
Balance at 1 July 2016 (Audited)		**24,799**	**84,582**	**216**	**(260)**	**109,337**
Profit for the year		–	4,231	19	–	4,250
Translation of foreign operations		–	–	–	(17)	(17)
Total comprehensive income		–	4,231	19	(17)	4,233
Balance at 30 June 2017 (Audited)		**24,799**	**88,813**	**235**	**(277)**	**113,570**
Balance at 1 July 2017 (Audited)		**24,799**	**88,813**	**235**	**(277)**	**113,570**
Profit for the year		–	275	(16)	–	259
Translation of foreign operations		–	–	–	48	48
Total comprehensive income		–	275	(16)	48	307
Balance at 31 December 2017 (Unaudited)		**24,799**	**89,088**	**219**	**(229)**	**113,877**

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

Share capital

The Group has issued and fully paid capital of 24,798,700 ordinary shares (2017: 24,798,700 ordinary shares). All shares carry the equal voting and distribution rights and have no par value.

Statement of financial position
as at 31 December 2017

in thousands of New Zealand dollars	Note	As at Dec 17 Unaudited	As at Dec 16 Unaudited	As at Jun 17 Audited
Equity				
Share capital		24,799	24,799	24,799
Equity reserves		88,859	83,790	88,536
Shareholders' interest		**113,658**	**108,589**	**113,335**
Non-controlling interest		219	219	235
Total equity		**113,877**	**108,808**	**113,570**
Non-current liabilities				
Provision for employee entitlements		808	1,004	809
Deferred tax liability		7,244	7,051	7,244
Total non-current liabilities		**8,052**	**8,055**	**8,053**
Current liabilities				
Payables and accruals		8,181	6,998	11,375
Revenue in advance		21,633	22,504	14,561
Provision for employee entitlements		7,879	7,531	8,044
Tax payable		–	–	350
Forward exchange derivatives		43	–	17
Total current liabilities		**37,736**	**37,033**	**34,347**
Total equity and liabilities		**159,665**	**153,896**	**155,970**
Non-current assets				
Property, plant and equipment		95,453	97,077	95,177
Identifiable intangibles		1,742	957	1,925
Deferred tax asset		167	–	160
Prepayments		43	19	5
Total non-current assets		**97,405**	**98,053**	**97,267**
Current assets				
Cash and cash equivalents		8,088	10,257	7,429
Other short-term investments		23,000	21,000	25,000
Receivables		10,431	8,835	13,967
Prepayments		3,401	2,912	2,231
Taxation receivable		783	1,112	–
Uninvoiced receivables		14,022	9,539	7,920
Inventories		2,535	2,175	2,156
Forward exchange derivatives		–	13	–
Total current assets		**62,260**	**55,843**	**58,703**
Total assets		**159,665**	**153,896**	**155,970**

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

Cash flow statement
for the 6 months ended 31 December 2017

in thousands of New Zealand dollars	Note	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		73,338	79,848	147,675
Dividends received		1	1	1
Interest received		519	403	871
Cash was disbursed to:				
Payments to employees and suppliers		(66,310)	(62,232)	(121,731)
Interest paid		–	(3)	–
Taxation paid		(1,243)	(1,457)	(1,860)
Net cash inflow from operating activities	3	**6,305**	**16,560**	**24,956**
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		101	120	146
Investments in other term deposits		14,000	11,000	22,000
Cash was applied to:				
Purchase of property, plant and equipment		(7,438)	(5,575)	(11,311)
Purchase of intangible assets		(310)	(172)	(1,688)
Investments in other term deposits		(12,000)	(32,000)	(47,000)
Net cash outflow in investing activities		**(5,647)**	**(26,627)**	**(37,853)**
Cash flows from financing activities		–	–	–
Net cash inflow (outflow) from financing activities		–	–	–
Net increase/(decrease) in cash and cash equivalents		**658**	**(10,067)**	**(12,897)**
Effects of exchange rate changes on the balance of cash held in foreign currency		1	(4)	(2)
Opening balance of cash and cash equivalents		7,429	20,328	20,328
Closing cash and cash equivalents balance		**8,088**	**10,257**	**7,429**
Made up of:				
Cash		1,113	1,272	799
Short-term deposits		6,975	8,985	6,630
Closing cash and cash equivalents balance		**8,088**	**10,257**	**7,429**

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

Preparation disclosures

Reporting Entity

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

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

Nature of activities

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

Basis of preparation

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

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

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

The accounting policies have been consistently applied in preparing the financial statements for the six months ended 31 December 2017; and the comparative information for the six months ended 31 December 2016 and the year ended 30 June 2017.

Statement of compliance

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

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

These interim financial statements have been prepared in accordance with the requirements of NZ IAS 34: Interim Financial Reporting. They should be read in conjunction with the 2017 annual report.

Accounting judgements and major sources of uncertainty

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

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

Comparatives

The financial statements for the six months ended 31 December 2017 and for the comparative six month period to 31 December 2016 are unaudited. The comparative figures for the year ended 30 June 2017 are audited.

Notes to the financial statements

for the 6 months ended 31 December 2017

1. Revenues and other gains

in thousands of New Zealand dollars	**6 Months to Dec 17** Unaudited	**6 Months to Dec 16** Unaudited	**12 Months to Jun 17** Audited
Research			
Rendering of services	42,045	34,538	81,417
Applied Science			
Rendering of services	24,712	27,233	57,156
Sale of goods	1,974	1,558	4,044
Dividends	1	1	1
Gain on sale from property, plant and equipment	101	118	–
Total operating revenue	**68,833**	**63,448**	**142,618**

2. Operating expenses

Employee benefits

in thousands of New Zealand dollars	**6 Months to Dec 17** Unaudited	**6 Months to Dec 16** Unaudited	**12 Months to Jun 17** Audited
Defined contribution plans	1,484	1,396	2,822
Termination benefits	–	–	–
Other employee benefits	32,865	31,201	62,944
Employee benefit expense	**34,349**	**32,597**	**65,766**

Other expenses

in thousands of New Zealand dollars	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Materials and supplies	4,080	2,867	7,888
Research collaboration	8,725	7,984	20,916
Property occupancy costs	2,957	2,862	6,380
Information technology	2,670	2,663	5,288
Remuneration of directors	149	149	297
Foreign currency gain/(loss)	32	(77)	(89)
Movement within the doubtful debt provision	(1)	–	(17)
Bad debts written off	–	–	–
Change in the fair value of derivatives	26	(49)	(19)
Other expenses	8,297	8,067	15,197
	26,935	**24,466**	**55,841**

Auditor's remuneration

in thousands of New Zealand dollars	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Auditor's remuneration comprises:			
Audit of the financial statements	74	85	173
Other assurance services (ACC audit)	–	3	6
Total auditor's remuneration	**74**	**88**	**179**

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

in thousands of New Zealand dollars	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Profit for the period	**259**	**(681)**	**4,250**
Add/(less) items classified as investing activities			
Net loss/(gain) on disposal of property, plant and equipment	(80)	(54)	49
	(80)	**(54)**	**49**
Add/(less) non-cash items			
Depreciation and impairment	7,140	7,213	14,775
Amortisation of identifiable intangibles	493	430	978
Net foreign currency (gain)/loss	48	156	54
Increase/(decrease) in deferred tax liability	–	(1)	(35)
	7,681	**7,798**	**15,772**
Add/(less) movements in working capital items			
Increase/(decrease) in payables and accruals and revenue in advance	3,878	7,842	4,219
Increase/(decrease) in employee entitlements	(167)	52	371
(Increase)/decrease in receivables and prepayments	2,328	7,943	3,506
(Increase)/decrease in inventory and uninvoiced receivables	(6,480)	(4,634)	(2,997)
(Increase)/decrease in taxation receivable	(1,140)	(1,657)	(195)
(Increase)/decrease in forward exchange derivatives	26	(49)	(19)
	(1,555)	**9,497**	**4,885**
Net cash flows from operating activities	**6,305**	**16,560**	**24,956**

4. Related party transactions

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

5. Key management personnel compensations

in thousands of New Zealand dollars	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Short-term benefits	3,809	3,963	7,342

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

6. Commitments

Operating lease arrangements

in thousands of New Zealand dollars	6 Months to Dec 17 Unaudited	6 Months to Dec 16 Unaudited	12 Months to Jun 17 Audited
Lease expense recognised in the period	1,251	1,125	2,256
Obligations payable after balance date on non-cancellable operating leases:			
Within 1 year	2,569	2,344	2,555
Between 1 and 2 years	1,821	1,843	1,885
Between 2 and 5 years	1,704	3,349	2,542
Over 5 years	2,793	2,910	2,852
	8,887	**10,446**	**9,834**

Operating leases relate to office and laboratory facilities within New Zealand and Australia with lease terms between 1 and 11 years, with various options to extend.

Capital commitments

in thousands of New Zealand dollars	As at Dec 17 Unaudited	As at Dec 16 Unaudited	As at Jun 17 Audited
Commitments for future capital expenditure:			
Contracted, but not provided for	18,465	2,131	20,200

7. Contingent liabilities

There are no material contingent liabilities at 31 December 2017 (2017: Nil).

8. Subsequent events

There are no material events occurring subsequent to 31 December 2017 which require adjustment or disclosure in the financial statements.

National Institute of Water & Atmospheric Research Ltd

Directory

BOARD OF DIRECTORS
Sir Christopher Mace, KNZM (Chairman)
Nicholas Main (Deputy Chairman)
Dr Helen Anderson
Prof. Keith Hunter
Prof. Gillian Lewis
Michael Pohio
Jason Shoebridge

EXECUTIVE TEAM
John Morgan, *Chief Executive Officer*
Geoff Baird, *General Manager, Communications & Marketing*
Patrick Baker, *Chief Financial Officer*
Dr Barry Biggs, *General Manager, Operations*
Dr Bryce Cooper, *General Manager, Strategy*
Dr Mary-Anne Dehar, *General Manager, Human Resources & Information Technology*
Dr Rob Murdoch, *General Manager, Research*

Auditors
Karen Shires with the assistance of PricewaterhouseCoopers on behalf of the Auditor-General

Solicitors
Atkins Holm Majurey
Meredith Connell

Bankers
ANZ Bank of New Zealand

Insurance Broker
Marsh Limited

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