
2008-09

Annual Report

NIWA

Taihoru Nukurangi

leading environmental science



NIWA – leading environmental science

The key focuses of our expertise are:

- aquaculture
- atmosphere
- biodiversity & biosecurity
- climate
- coasts
- energy
- fisheries
- freshwater
- Māori development
- natural hazards
- oceans
- Pacific Rim

NIWA was established as a Crown Research Institute in 1992. It operates as a stand-alone company with its own Board of Directors and Executive Team, and is wholly owned by the Crown. As at 30 June 2009, NIWA has 748 staff, revenue of \$120 million, and assets of \$115 million.

www.niwa.co.nz

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NIWA's Māori name Taihoro Nukurangi describes our work as studying the waterways and the interface between the earth and the sky.

Taihoro is the flow and movement of water (from tai 'coast, tide', and horo which means 'fast moving').

Nukurangi is the interface between the sea and the sky (i.e., the atmosphere).

Together, we have taken it to mean 'where the waters meet the sky'.

“As New Zealanders, we need economic prosperity whilst protecting our environment ... and it can be done”

John Morgan, CEO



CHAIRMAN & CEO

From our new Chairman

It is a privilege to be appointed to the Board of NIWA and to take over the role of Chairman from Sue Suckling.

As a high performing Crown Research Institute, NIWA has made considerable progress in developing the skills and capability to meet the demands of the modern world for environmental science. NIWA has specialist knowledge to assist with sustainable management of our oceans, freshwater, and atmosphere – natural resources so critical to our economic well-being.

That is the key focus of the highly skilled scientists and technicians who make up the NIWA team.

We anticipate strong growth as the current global recession eases. This growth will come from increasing demand for environmental science, improving our efficiency, and making the most of opportunities to commercialise IP developed by our science teams.

In chairing the NIWA Board for the last eight years, Sue Suckling made an outstanding contribution to one of New Zealand's most successful crown entities. Sue's strategic foresight and leadership set a very high standard for NIWA's future governance.

I look forward to the future with confidence.



Chris Mace
Chairman

A strong performance

No one needs reminding that this year has been marked by the most severe global economic downturn since the 1930s, yet when we were discussing this report we found ourselves returning not to today's 'crisis', but to the longer-term environmental issues which drive NIWA's science.

There is no doubt 2008–09 has been tough from a financial point of view. We had to be fiscally cautious and manage our activities carefully to ensure we delivered the best to our customers, and that we received maximum value for every dollar we spent. Despite the recession, however, NIWA's performance has been strong and our expertise remains more relevant than ever.

Generating respect for New Zealand

In fact, world-leading environmental science is even more critical as we seek opportunities as a nation to climb out of the recession and improve our economic performance.

Environmental sustainability is not just about the issue of the moment, it is about how New Zealand commands respect internationally. And respect matters, particularly for an export-reliant country that uses its environmental reputation and performance to differentiate itself in a very competitive global marketplace; whether it be for high quality primary products or international tourists.

NIWA is privileged to be home to the nation's environmental science capability (people, tools, and networks) in many areas of vital importance, including water allocation, water quality, high-value aquaculture, climate impacts, fisheries, renewable energy, weather-related hazards, aquatic biodiversity and biosecurity, and marine resources.

\$120million

total revenue including
interest income

9.8%

return on equity

748

staff, our greatest asset

CHAIRMAN & CEO

135

new products, services,
& processes developed

537

research collaborations with
overseas organisations

\$3.2 million

international consultancy
contracts

Improved pastoral productivity

What will happen to this country's primary production as changes in our climate compound the effects of natural climate variability and intensified agriculture?

NIWA's research to date suggests that the country may get drier in the east and wetter in west, and droughts may become more frequent. According to a report commissioned by the Ministry of Agriculture and Forestry, the 2007-08 drought cost the New Zealand economy \$2.8 billion.

As Agriculture Minister David Carter said in releasing that report, "Not having a plan is planning to do nothing." NIWA is working closely with the farming sector on a raft of measures to adapt to a changing climate. We are also developing tools to forecast water supply and climate conditions in order to provide scientific advice to manage competing water uses, including ecological values, so individual irrigators can get the best from their allocation.

Cleaning up freshwater

What attracts visitors to our country in their thousands?

In large part, it's our mountains, lakes, rivers, waterfalls, snow, lush green bush, deep fiords, and beaches. Once again, we come back to water – clean and plentiful. That fresh water is vital to our tourism industry, as well as to New Zealanders' way of life.

This year, we celebrated 20 years of continuous water quality monitoring through NIWA's National River Water Quality Network. The work done by NIWA staff collecting and analysing river water samples every month shows that New Zealand has cleaned up 'point source discharge', from factory pipes and the like, but that land-use intensification is adding extra nutrients to our rivers. We use this long-term monitoring in our search for solutions, working hard alongside Dairy NZ and others to demonstrate win:win approaches.

Good water quality and intensive agriculture can go hand in hand, but this requires scientific knowledge and data, significant planning, robust regional rules, strong partnerships with farmers, and central government policy leadership.

Ocean resources

For too long, humanity has taken ocean productivity for granted. New Zealand is often touted as having one of the best fisheries management regimes in the world. That regime needs good science, and NIWA is by far the largest provider of this science. We have the smartest, best equipped, and most experienced fisheries research team in the country, working closely with the Ministry of Fisheries and the seafood industry.

But ocean resources are about more than just fish. New Zealand's exclusive economic zone, at over 4 million square kilometres, is about 15 times its land mass. NIWA has been collaborating closely with many partners, including LINZ, GNS Science, and the Royal New Zealand Navy, to understand more about this vast marine estate. And understand it we must, if we are to reap greater economic benefit in a sustainable way.

This year alone, NIWA registered 16 472 new samples in our marine invertebrate database, primarily from Ocean Survey 20/20 projects, exploration of seamounts, and fisheries survey work.

Sustainable food

New Zealand has built its economy on world-leading farming practices. Now, NIWA is developing exciting world firsts in the farming of finfish. With growing global demand for protein, there is great economic opportunity in farming high-value finfish in an environmentally responsible manner. That takes diligent and intelligent commercially-oriented research.

NIWA's work with our industry partners means fully commercial marine farming of kingfish is now possible, with groper (hapuka) not too far behind. Finfish aquaculture could economically transform the seafood sector, provided the appropriate sea space is made available in a timely manner.

Managing through the recession

NIWA felt the brunt of the recession early this year as our customers cut back to manage their own way through the downturn.

Given the circumstances, however, we returned a pleasing result. NIWA remains a profitable company delivering great value to its shareholders and therefore to the public of New Zealand.

We are extremely proud of the effort from our staff to maintain revenue at similar levels to last year despite a slow start. We kept tight control of costs, made efficiencies in our operations, and focused on delivering our customers' requirements in full and on time.

We are budgeting for another solid financial result in 2009–10. That said, we are running a very lean ship and we recognise this is putting extra pressure on staff. We are thrilled with the way they have responded, getting value out of every dollar in tight budgets. In NIWA today there is a stronger emphasis than ever on re-thinking the way we do things, implementing best practice, and taking opportunities to improve performance.

An eye to the future

Whilst being very conscious of the need to carefully manage resources, we are keeping our eye on the long-term by ensuring the company is well equipped for the future. Our strategy requires:

- Staff with appropriate skills and expertise, and a human resources strategy which develops and rewards them, and keeps them safe
- State-of-the-art facilities, including appropriately located offices, laboratories, resources, and infrastructure
- Comprehensive and robust environmental monitoring networks
- A unique fleet of some 30 vessels to explore our oceans, estuaries, rivers, and lakes; and suitably rugged land-based vehicles for reaching remote parts of the nation
- IT that supports one of the world's leading knowledge-based companies
- The ability to share our scientific knowledge through effective communications

In 2009–10 we expect research revenue to increase slightly, and revenue from applied science services to remain level as some customers put projects on hold. But while there is a temporary flattening in demand, the important environmental issues remain. We are predicting that demand for NIWA's research and applied science services will double within a decade, requiring significant increases in the number of skilled staff we need to employ. That is an immense challenge in a world that, notwithstanding the current recession, will be hungry for the high quality environmental science skills and capability that NIWA has.

We will, therefore, continue to retrain and upskill staff where appropriate. Alongside this, we are improving the efficiency and effectiveness of our support services and processes so that science staff do less administration and have more time available for delivering science.

We are using the strength of our balance sheet to invest for the future, too. This year saw us halfway through a three-year \$60 million capital expenditure programme. We made a \$15 million commitment to oceans research through the purchase of a highly-advanced (DP2) dynamic positioning system for RV *Tangaroa* which will be installed progressively over the next 18 months. This will ensure that *Tangaroa* continues to be the best equipped research vessel in New Zealand.

We have also decided to replace our Cray T3E supercomputer with an IBM Power 575 supercomputer at a cost of \$12.7 million. This increases 100-fold our current supercomputing capability. It will, for instance, provide computational power for NIWA's world-class environmental forecasting system EcoConnect, which supplies continually updated forecasts of weather-driven hazards such as flooding, for port companies, regional councils, energy companies, and other customers.

\$60 million
capital investment in science
over 3 years

2569
reports, publications,
& formal presentations

900 000
requests for climate
data processed

CHAIRMAN & CEO



In December 2008, we were delighted that Hon Dr Wayne Mapp, Minister of Research, Science and Technology, could open our new Head Office near Auckland's Viaduct Basin. The new premises reflect the professional nature of the research, applied science, and administrative services we strive to deliver to our customers.

Changes to the NIWA Board

2008–09 saw the most significant changes in our Board composition for some time, with the retirement of Sue Suckling after eight years as Chair of NIWA. It is indicative of Sue's contribution that two of the most significant strategic initiatives in NIWA's history – the decisions to install a dynamic positioning system on RV *Tangaroa* and to replace the supercomputer – were supported by the Board under her leadership.

We also farewelled Dr Graham Hill who has been a major contributor to the governance of NIWA since 2002.

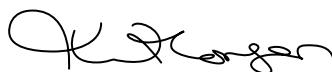
We were pleased when Chris Mace was appointed as our new Chairman from 1 July 2009. Chris is a former Chairman of the Crown Research Institute ESR; former Chairman of the New Zealand Antarctic Institute (now Antarctica New Zealand); founding trustee of the Sir Peter Blake Trust; founding member of the New Zealand Institute; trustee of the Antarctic

Heritage Trust; and supporter of marine science facilities and projects at the University of Auckland and the University of Otago.

We also welcome new director Jason Shoebridge, who comes to the Board with a wealth of commercial expertise.

Economic & environmental prosperity

As New Zealanders, our fresh water, clean air, wide oceans, and maritime climate are our greatest assets. We want to protect our environment, but we also want economic prosperity. Let's not shy away from the fact that to get the best of both worlds, the government will have to make some tough decisions. These decisions will need to be informed by good science. At NIWA we have bright minds, great facilities, and incredible talent focused on helping to lift economic prosperity by solving some of the most pressing environmental problems of the day. We firmly believe it can be done.



John Morgan
Chief Executive

16472

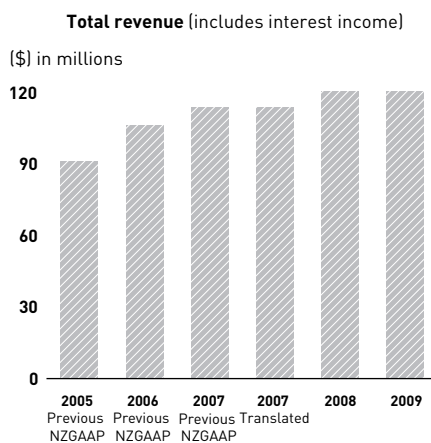
new marine invertebrate
samples registered in
NIWA's collection

	2009	2008	2007 Translated	2007 Previous NZ GAAP	2006 Previous NZ GAAP	2005 Previous NZ GAAP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue (includes interest income)	120,438	120,671	113,911	113,911	106,414	91,137
– Public Good Science	58,883	55,536	53,418	53,418	50,374	43,729
– Ministry of Fisheries	14,121	15,127	17,183	17,183	16,060	16,626
– Commercial and other	47,434	50,008	43,310	43,310	39,980	30,782
Net profit before tax	9,050	14,309	14,279	15,843	15,706	9,654
Net profit after tax	6,011	10,095	9,813	10,461	10,342	6,434
Capital expenditure	21,186	13,985	9,107	9,107	8,480	7,348
Adjusted return on average equity (%)	9.8	17.9	21.2	22.6	24.4	13.5
Return on average equity (%)	7.1	12.8	14.1	22.6	24.4	13.5

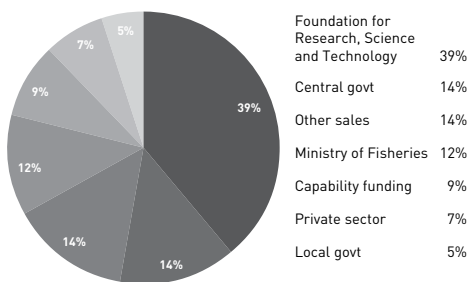
The Group changed their accounting policies on 1 July 2006 to comply with New Zealand International Financial Reporting Standards. The transition required the statement of comprehensive income to be translated for the year ended 30 June 2007 as shown above. The 'adjusted return on average equity' uses a valuation basis comparable with other Crown Research Institutes.

“We are weathering this financial storm well”

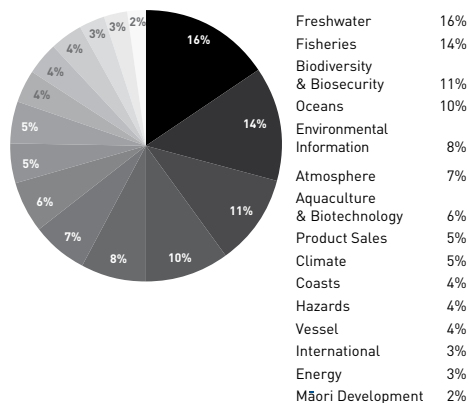
Kate Thomson, Chief Financial Officer



Revenue by source



Revenue by national centre



Highlights

NIWA’s 2008–09 results are remarkably good. Despite the global economic recession, our achievements include:

- Stable revenue at \$120 million (including interest income)
- Operational expenditure trimmed to \$111 million, against budget of \$115 million
- Net profit after tax of \$6 million
- Dividend paid of \$5.6 million

The Group did not meet its budget targets in 2008–09, notably our budgeted revenue, which we had set at an ambitious \$125.6 million. This was mainly due to the cancellation or deferment of three vessel charters, and it was a significant achievement to roughly match last year’s revenue in such tough times.

We are doing well at gaining research and consultancy contracts in an extremely competitive environment, and at managing our cost structure, which is not particularly elastic. The reality is that half our costs are in staff and, as a knowledge-based company, our people also drive our revenue. As a result, many costs continue even if we have fewer contracts. Similarly, the company’s large capital expenditure programme increases our depreciation costs and it also represents investment in scientific capability intended to position us well for the eventual upturn. This combination of the nature of NIWA’s business, our future-focused capital spend, and a tough external environment means that the coming financial year (2009–10) will be challenging.

NIWA is weathering the global financial storm well. We will continue to maintain tight fiscal discipline and focus on delivering projects to our customers’ specifications, on time, and within budget, to ensure NIWA remains the country’s most successful Crown Research Institute.

Kate Thomson, Chief Financial Officer

Revenue

NIWA managed to hold its revenue roughly stable in the face of global economic recession. In 2008–09, NIWA’s total revenue was \$120.4 million. This was slightly less than the previous year (2008: \$120.7 million), and down on budgeted revenue of \$125.6 million.

The proportion of NIWA’s revenue from its main sources remains reasonably stable. Science staff had a remarkably successful year in winning public good science funding, with revenue rising from \$55.5 million in 2007–08 to \$58.9 million in 2008–09. Overall, this represented 49% of NIWA’s revenue in 2008–09. This is comprised of contestable research funding from the Foundation for Research, Science and Technology (39%; \$48.3 million) and capability funding from the Ministry of Research, Science and Technology (9%; \$10.5 million).

NIWA’s second largest single source of revenue was contestable fisheries research contracts from the Ministry of Fisheries (12%; \$14.1 million). NIWA lost over \$1 million in revenue from this source in 2008–09, mainly due to the postponement of one vessel charter, now scheduled for 2009–10.

The remainder of NIWA’s revenue (39%; \$47.4 million) largely consisted of commercial consultancy work. Contracts in this area were hard to obtain early in the financial year, but worked picked up as the year progressed. This was partly the result of customers no longer being able to defer essential work, and partly thanks to intensive business development efforts by key staff.

FINANCIAL SUMMARY

Expenditure

Personnel

Staff are fundamental to NIWA's earnings, and represent about 50% of the company's costs. This year, personnel costs rose by \$2.3 million. This reflects increasing average remuneration per staff member, with an average 4% pay rise awarded in the July 2008 salary round combined with the full annual impact of the additional one-off pay rise from December 2007.

Capital

Last year, NIWA embarked on a three-year \$60 million capital expenditure programme to:

- strengthen infrastructure and equipment to rapidly advance NIWA's science
- improve the work environment and facilities for NIWA staff
- pursue commercialisation opportunities

Despite the recession, the company has continued this investment. Capital expenditure in 2008-09 was \$21.2 million, up from \$14 million in 2007-08 and \$9 million in 2006-07.

With additional multi-million dollar expenditure planned in 2009-10 on a high performance computing facility at NIWA Wellington and a dynamic positioning system for RV *Tangaroa*, this capital investment represents a bold vote of confidence in the future of environmental science in New Zealand.

Total asset base

Average shareholders' equity at 30 June 2009 totalled \$84.5 million (2008: \$84.2 million). Total average assets were \$114.6 million at 30 June 2009 (2008: \$109.5 million).

More information

The audited financial statements of the National Institute of Water & Atmospheric Research Ltd and Group for the financial year ended 30 June 2009 can be found on pp. 32-59 of NIWA's Annual Report 2009, or on-line at www.niwa.co.nz/pubs/ar. This Financial Summary is not part of NIWA's audited accounts.

On 1 July 2006, the Group changed its accounting policies to comply with the New Zealand International Financial Reporting Standards (NZ IFRS). Where applicable, we show the figures for 2006-07 both as originally reported (NZ GAAP) and 'translated' according to the new standards.

Net surplus

This financial year the NIWA Group achieved a net surplus of \$6.0 million (2008: \$10.1 million) against a budgeted net surplus of \$7.7 million.

The result reflects NIWA's decision to continue to invest for future growth despite tight economic times.

Dividend

NIWA has a track record of returning healthy dividends to its shareholder (the government of New Zealand) without compromising investment in scientific research.

In 2008-09, NIWA made dividend payments of \$5.6 million. In total, NIWA has paid \$33.9 million in dividends to the Crown over the past five years.

Profitability

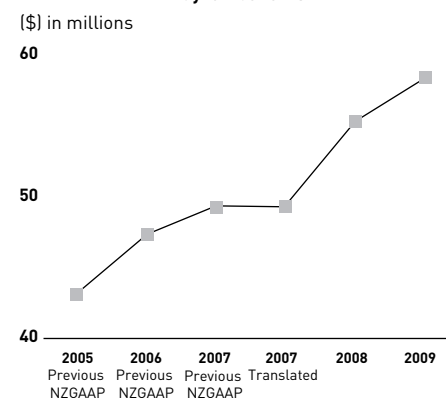
NIWA continues to be a profitable company. In light of our extensive capital expenditure programme, the Group budgeted for a lower than usual return on equity this year. On the basis of comparable valuations with other Crown Research Institutes (CRIs), NIWA's return on equity was 9.8%. Shareholding Ministers expect CRIs to deliver a 9% return on equity as a long-term average.

Liquidity

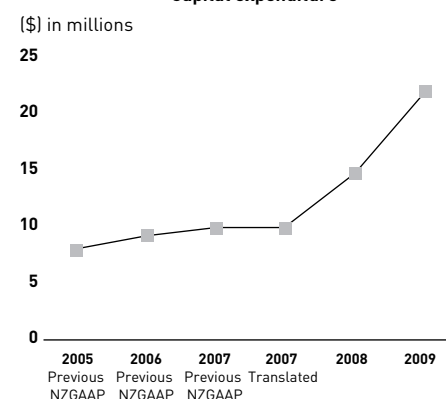
NIWA has healthy liquidity, with greater assets than liabilities, in line with budget expectations.

	2008-09	2007-08
Current ratio	1.2	1.5
Quick ratio	1.6	2.1

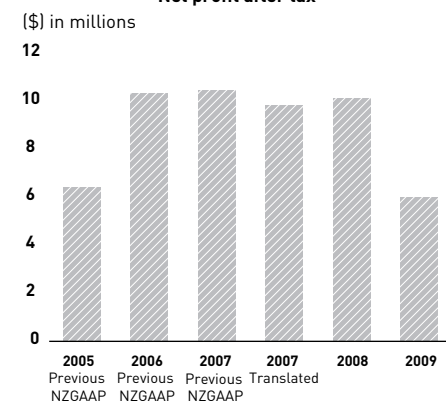
Payroll benefits



Capital expenditure



Net profit after tax



“Sustainability is what we do”

Barry Biggs, General Manager Operations



SUSTAINABILITY

Our vision is to conduct leading environmental science. Quite simply, sustainability is what we do. We endeavour to act in an environmentally responsible manner every day.

We are a key provider of advice on sustainability to government agencies, the private sector, and the general public. We arm decision-makers with high quality information in such areas as fish stocks, air pollution, and energy supply. Our environmental information helps individuals and companies throughout New Zealand better manage their businesses and their lives. We work with a wide range of organisations to develop innovative solutions to environmental challenges, such as how to minimise the water quality effects of intensive agriculture.

In our operations, we maintain a careful balance: conducting research to provide much-needed information while minimising our own impact on the environment.

We take our role seriously and will continue to invest in the best technology and scientific minds available so we can continue to provide superior environmental information that leads to sustainable outcomes.

Operating responsibly

Energy consumption is our most significant environmental impact. Diesel used to power our fleet of research vessels is the single biggest contributor of greenhouse gas (GHG) emissions. This year we used 33% less diesel than the previous year, down from 2.4 million litres to 1.6 million litres. This saving, however, reflects the postponement or cancellation of three vessel charters.

We are constraining our fuel usage by maintaining the lower general cruising speed of our ocean-going vessels first introduced in 2008. Under current conditions, we have found this speed reduction provides a good balance between voyage length, contractual obligations to customers, and reduced fuel use.

Charting new territories

Our largest research vessel, *Tangaroa*, travelled almost 36 000 nautical miles in the past year, with voyages to such areas as the Bay of Islands, the Chatham Rise, and the sub-Antarctic. *Tangaroa*'s West Coast canyons voyage in July 2008, for example, was part of a multi-year Consequences of Earth Ocean Change project. This project's extended undersea mapping focused on South Island glaciation and global climate change, as well as helping expand our knowledge of the West Coast deep marine ecosystems.

Carbon emissions: an ongoing balancing act

One of our ongoing challenges is minimising our carbon footprint while delivering a high standard of service to our many customers. In our research, we use ocean-going vessels, other motorised craft, and land-based vehicles. Our staff travel throughout the country and internationally to meet customers. International conferences and meetings help our scientists maintain relationships with their overseas peers and stay at the forefront of new knowledge. We regard these face-to-face connections as important, although we are strictly limiting overseas travel in the current economic environment.

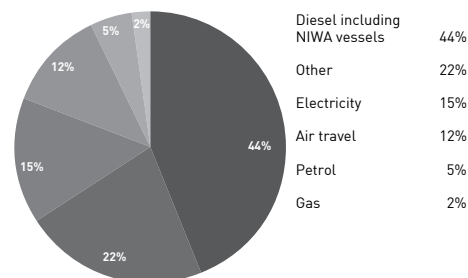
During the past financial year, we upgraded our video-conferencing system, which reduced the number of flights taken by staff and Board members for meetings.

Other initiatives implemented during the past year were the procurement of hybrid vehicles for city-based transport and vehicle pooling for fieldwork where appropriate. When purchasing any new vehicle for the fleet, the cost of the whole life of the vehicle is carefully considered.

740

number of hours spent
video-conferencing this year

NIWA's GHG emissions profile 2008-09



Note: 'Other' GHG emissions include freight and couriers, employee commuting, solid waste, and supply chain.

SUSTAINABILITY

66%

Greta Point staff travel in a sustainable way, from walking to carpooling, including:

31.3%

walk, run, or cycle

11.1%

take the bus or train

Minimising our consumption

Initiative	Target
Access to online electricity data, via power meters every 30 minutes, for the largest NIWA sites to accurately measure energy consumption	Successfully establish baseline data as the basis for setting future targets
Invest in sustainability initiatives: more efficient heating and alternative energy systems. Provide more bike stands at our main centres to encourage more sustainable ways of commuting	Reduce energy consumption per full-time employee by 10% by 2012 compared with 2006–07
Improve efficiency by using a minimum of 5% biofuels on our larger ocean-going vessels and continue to research biofuel technology. Some smaller vessels will be converted to 4-stroke engines, using only small amounts of petrol	Reduce emissions for NIWA Science to below 2006–07 levels by 2010 and reduce emissions for vessels to 2006–07 levels by 2010
Guidelines for new buildings and renovations, and encourage staff behavioural changes to help reduce energy consumption	Building guidelines in place by 2009. Electricity reduction target of 5kWh/m ² by 2010
Make better use of initiatives introduced by local industries, councils, and community groups such as waste recycling	Reduce solid waste generated by 10% of 2003–04 levels by 2009
Measure and track staff opinions on the role of sustainability in NIWA's work	We are aiming for 70% of our staff seeing sustainability as core to NIWA's ethos

Mitigating the physical effects of fieldwork

Inevitably, our fieldwork has some effect on the landscape, habitats, and ecosystems we study, but we strive to minimise our footprint. In any event, our research has essential benefits, and it helps others save much more than whatever our impact might be.

Our staff have harnessed the sun's energy in a bid to reduce the environmental effects of fieldwork and now over 90% of our environmental monitoring stations are solar powered. Telemetered data loggers are the norm on these sites, which means we are not leaving a carbon tyre print all the way from our offices to every remote site to manually collect data and confirm the equipment is operating correctly. Previously, this would have meant monthly visits to each site – thousands of trips each year – but now equipment is checked and data are relayed to central servers via cellphone networks or other satellite technology.

Weathering the storm

The year ending 30 June 2009 was marked by a global economic crisis that proved to be challenging for most organisations. We were prepared for this challenge and maintained tight financial discipline to 'weather the storm'. A core focus for our organisation was sustaining revenue in order to retain science capability.

Economic responsibility – leading the way

As a Crown Research Institute we are required to operate in a financially responsible manner and return a profit to the Crown. Prudent financial management has always been a core focus. Despite the global economic downturn, we have maintained revenue, and, as a result, we can continue to invest in the people and equipment necessary to produce leading environmental science.

Our main revenue source was contestable research funding from the Foundation for Research, Science and Technology (\$48 million).

Exporting scientific solutions

This year we generated \$3.2 million by exporting our science. For example, we provided climate data training in Singapore, developed a sustainable water supply and treatment system for a coastal village in Fiji, and worked with the Cook Islands to monitor offshore water quality on Rarotonga and Aitutaki – a vital project for the islands which rely on tourism and oyster cultivation as their primary source of income.

Building capability

A core focus for 2008–09 was maintaining capability. The Capability Fund is an essential tool for fostering strategic science, supporting under-funded but nationally-important science capability, developing new capability, conducting 'risky' research, and transferring knowledge.

Our need to preserve significant national capability during a recession necessitated a shift in the use of the Capability Fund – away from building new science capacity to projects that support existing core skill bases that would otherwise be under-funded. This is a strategic initiative that will continue in 2009–10.

Science as a viable career

We employ 748 people across six regional centres and nine field offices. We provide highly specialised employment in rural and urban areas from Bream Bay to Alexandra, generating opportunities for New Zealanders – and our international colleagues – to pursue a career in science.

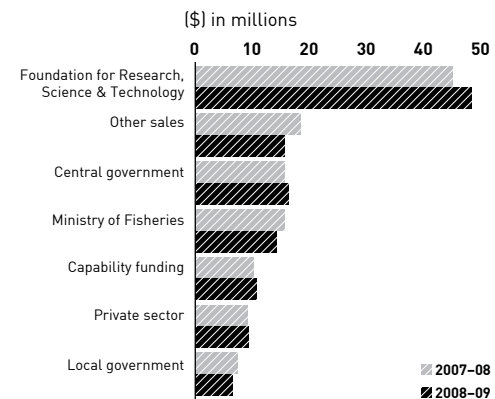
Our payroll and benefits totalled \$57.5 million for the year ending 30 June 2009. As a commercial entity, we also contribute to the New Zealand economy by paying tax and dividends to the Crown. In 2008–09 we paid \$2.7 million in tax, and \$5.6 million in dividends.

Representing New Zealand on the world stage

Our scientists represent New Zealand extensively on the international stage. Many are leaders in their fields and their research underpins commercial and economic decisions both here and overseas. In addition to definitive scientific outcomes, our scientists enhance New Zealand's global reputation as a hub for leading edge scientific research.

One such representative is NIWA scientist Dr David Wratt. Dr Wratt is the sole New Zealander on the Bureau of the Intergovernmental Panel on Climate Change (IPCC), the authoritative international mechanism for assessing climate change research. Through Dr Wratt's involvement, we indirectly benefit New Zealand's global reputation in the increasingly important climate change arena.

Summary of NIWA's revenue streams, 2008–09



80

NIWA staff represent us on 110 international committees

SUSTAINABILITY

65%

NIWA staff have individual development plans

439

number of days allocated to personal training leave

Making science accessible

During the last financial year the use of our databases continued at a high level. Requests for data from the National Climate Database more than doubled.

Increased public use of our data can be traced to our decision in mid-2007 to provide free access to key databases as part of our commitment to delivering economic value from our research and providing objective science-based information and advice.

Science output (calendar year)	Performance 2008	Performance 2007
Commissioned reports	581	495
Presentations on technical information and research results	563	1028
Peer reviewed articles	349	315
Keynote and plenary presentations	58	31
External requests for information from NIWA's nationally significant databases & collections		
National Climate Database	900 000	360 000
Water Resources Archive	84 500	88 000
NZ Freshwater Fish Database	2217	1550
Marine invertebrate collection and database	63	150

Economies of scale in the supply chain

One of our key strategic initiatives for 2008–09 was to achieve economies of scale by moving away from regional suppliers to consolidating suppliers across our regional hubs.

In July 2008, we had 2600 active suppliers and processes generating approximately 23 000 invoices per annum. Our aim is to reduce both by 50% and to identify preferred suppliers, so we appointed a Strategic Procurement and Asset Manager to manage this process. His achievements so far include the selection of a single stationery supplier and a single supplier of photocopiers and printing consumables. Both suppliers service our regional and field offices, and both have a strong commitment to environmental sustainability. We have also instituted a clear policy that, where suitable models are available, we prefer hybrid or diesel vehicles over petrol-only vehicles.

Home to New Zealand's top scientists

NIWA is an environmental science and consultancy services company employing 748 permanent and temporary staff (712.2 full-time equivalents). We work across 15 sites throughout New Zealand, its oceans, and beyond, including Australia, the South Pacific, and Antarctica.

Our staff retention rate was especially high this past financial year, with a turnover of 6%, well below the general average of 17–20% for New Zealand organisations.

We strongly believe staff should have a balanced life combining work and outside activities. We implement a Family and Work policy that complements existing training and personal development policies.

We give staff time to develop their professional skills within the workplace, and also provide special personal training leave of three days a year. This leave is unique to NIWA, and provides an opportunity to up-skill in any non-work interest.

Over 76% of staff see themselves working for NIWA in 12 months' time. Our target is to have 70% of staff planning to be working for us in three years' time.

The NIWA team

We have a large, talented research team of 536 researchers, including 10 postdoctorates, and assisted by 33 dedicated research support staff. Alongside our researchers, a total of 179 management and general support staff provide the essential services any high-tech, multi-million dollar company requires, including IT, human resources, finance and administration, and communications and marketing.

Each year we also supervise a number of students. This year 37 PhD and 15 Masters students were incorporated into the NIWA fold.

Competing for top talent

A key challenge is the attraction and retention of high-quality staff in an increasingly competitive global talent market. We have a well-qualified team, including more than 200 PhDs, and our staff are much in demand.

We endeavour to provide staff with the time and resources to deliver the best possible results with the best available scientific equipment. In particular, we aim to provide more public good science research time to senior scientists, but we are fiscally constrained at the moment.

Sharing the knowledge

In an effort to communicate more sustainably, we have stopped producing hard-copy newsletters and have moved to an electronic format. We also launched a new website which better allows readers to stay informed of our activities. Science without communication is of limited value.

We aim to provide clear, objective, inspirational communication to engage all our various audiences on the significant environmental issues facing New Zealand and the world.

Deep Sea Coral Symposium

The world's premier conference on the science and management of deep sea corals and coral ecosystems drew about 200 scientists, resource managers, students, and policymakers from 29 countries to Wellington in December 2008. Opened by Minister of Research, Science and Technology Hon Dr Wayne Mapp, the symposium was hosted and sponsored by NIWA and included the launch of 'Corals – hidden beauties of the deep' a display of corals held in stewardship by NIWA, Te Papa, the Ministry of Fisheries, and the Department of Conservation.

The symposium covered a range of coral research topics, including coral ecosystems and biodiversity, climate change and ocean acidification, management decisions and policy for corals, and human impacts on coral habitat.

Supporting our community

Sponsorship is another way we engage with our community. We use a significant part of our small corporate sponsorship fund to foster environmental science knowledge and education.

Activity	Target 2010
Sponsorship of the NIWA Interactive Room at Kelly Tarlton's Antarctic Encounter and Underwater World in Auckland. 45 000 students visited via educational programmes and an additional 400 000 members of the public viewed this space in 2008-09.	Continue sponsorship until 2010 when it will be reviewed.
Science and Technology Fairs NIWA sponsored or contributed funding to eleven regional and local science fairs.	We will sponsor 10 regional and local Science and Technology Fairs in 2009 and into 2010 when the sponsorship will be reviewed.

400 000+

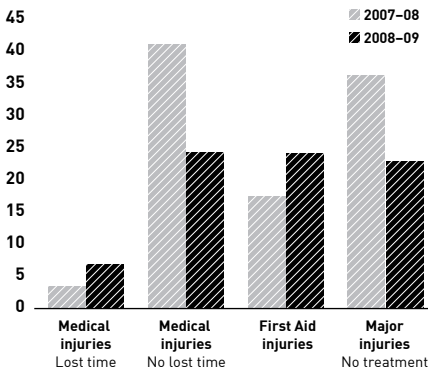
people visited Kelly Tarlton's facilities sponsored by NIWA

11

regional & local Science & Technology Fairs sponsored

SUSTAINABILITY

Number of injuries



21%

reduction in number of injuries from the previous year

Collaboration

We have over 530 collaborative links with organisations internationally, and representatives on 110 international committees. These critical working relationships allow us to facilitate research and provide scientific advice to the community.

A leading example of this collaboration is our role as host of the secretariat of the New Zealand Climate Change Centre. The centre is a joint initiative by all New Zealand CRIs, the University of Canterbury, and Victoria University of Wellington. The centre facilitates collaboration to develop, communicate, and apply science-based solutions to climate change-related issues. In May 2009, the centre organised a major climate change adaptation conference held at Te Papa in Wellington.

We are also a member of the New Zealand Energy Research Alliance which aims to enhance the scope, capability, and capacity of energy research to help New Zealand meet future energy challenges.

Internationally, for example, we work with the US Geological Survey (USGS) under a formal bilateral arrangement to facilitate scientific and technical cooperation in water resources science. The USGS is the largest water, earth, biological science, and civilian mapping agency in the United States.

Injury and lost time

Better reporting systems mean we are recording more 'near misses', which helps us improve our health and safety practices. This year, we recorded a total of 77 injuries, down from 97 the previous year. We push health and safety messages from the highest level, constantly reminding staff that we do not want anyone to be injured at work.

Cultural collaboration

The natural environment, the focus of our research and development, is of immense significance to Māori. We place high priority on developing and maintaining effective long-term relationships with iwi, hapū, and other Māori organisations throughout the country.

Making Māori perspectives heard

Our long-term relationships with Māori are managed through the National Centre for Māori Environmental Research, Te Kūwaha o Taihoronukurangi. Twelve of NIWA's Māori staff are dedicated to Te Kūwaha. The centre's overarching goal is to unlock the innovation potential of Māori knowledge, resources, and people to help New Zealanders create a better future.

Research driven by Māori

This year Te Kūwaha's key projects include:

- Waikato River Independent Scoping Study – a Ministry for the Environment funded project, governed by the Guardians Establishment Committee. This study will identify rehabilitation priorities in relation to restoring the health and wellbeing of the Waikato River, quantify the likely cost of those priority activities, and provide background information to the establishment and operation of the Waikato River Clean-up Trust.
- Assessment of the state of the Rangitaiki River within the Ngāti Manawa rohe – a Crown Forest Rental Trust funded project that reported on the state of the upper Rangitaiki River. This research will allow Ngāti Manawa to develop strategies for protecting the river and its biota, and enhance its fisheries.
- Advanced ecotechnologies for sustainable wastewater management in Māori communities – working with Tainui Awhiro, Ngāi Tai, and Te Roroa, this three-year Foundation for Research, Science and Technology funded project aims to develop new tools and ecotechnologies for improved management of wastewater in rural Māori communities.

Te Kūwaha achievements

A number of significant research projects were completed by Te Kūwaha in collaboration with other staff in the past year. Examples are:

- Te Wai Māori funded tuna survey of the Lake Omapere and Utakura River catchment was completed with the assistance of the Lake Omapere Trust and Ngāpuhi Fisheries Limited.
- Te Kūwaha, in partnership with Ngāti Rongomai and GNS Science, concluded a 3 year study investigating natural hazard planning issues facing Māori communities. Recommendations from the study provide a basis for addressing questions over the alignment of present hazard and management policy with Māori needs.
- Two Te Kūwaha staff were hosted by the BC Centre for Aquatic Health Sciences (Vancouver Island, Canada) as part of the Building Aquatic Science Capacity in Aboriginal Communities project. Te Kūwaha staff presented at three community meetings (Klemtu, Quatsino, and Campbell River) with groups of 20–120 students and teachers. They talked about career pathways, research, and working with indigenous communities.

Embedding te reo across the organisation

This year Te Kūwaha held three te reo and tikanga Māori noho marae attended by a total of 59 staff. We will continue to offer these courses, with a target of 60 staff participating in the coming year.

Community engagement

Te Kūwaha members actively engage with the wider community, both Māori and non-Māori, sharing their knowledge and skills in many ways, including:

Activity	Number
Hui/public appearances	40
Conference presentations	8
Training workshops and fieldtrips	5
School visits	4
Journal papers	4
Media interviews	5

Maintaining relationships

We have procedures for recording all interactions with Māori organisations, and we are constantly striving to improve these. The formalisation of our relationships with Māori research partners is typically driven by the needs of our partners (except for sub contracts). In all cases, Te Kūwaha works hard to ensure we have a “seen face” and that the relationships remain functional and healthy for the long-term benefit of both parties.

Agreement type	Typical use	Total
Memorandum of Understanding (MoU)	Typically for long-term working relationships with larger Māori groups.	10
Letters of support or understanding	Pre-research proposal submission; supplied by potential research partner in support of a specific research proposal.	16
Letter of intent	Typically after research funding has been approved; project and timeframe specific; includes short outline of project.	3

85

working relationships with Māori groups throughout NZ

12

dedicated staff in Te Kūwaha

Supplementary material on NIWA's sustainability including GRI G3 indicators, can be found at www.niwa.co.nz/pubs/ar

“Capability funding is helping us preserve vital research capability”

Dr Rob Murdoch, Director Research

Capability funding is provided to Crown Research Institutes (CRIs) through the Ministry of Research, Science & Technology to support and enhance long-term research capability.

Each CRI’s capability funding is based on its proportion of the total government research investment. In 2008–09, NIWA received \$10.53 million (excluding GST) from this source, up from \$10.08 million in 2007–08.

Given current economic conditions, we are devoting more funds than in the past to supporting existing capability. We more than trebled our allocation to supporting core skill bases, whilst maintaining or trimming funds in other categories. This will continue in 2009–10 as we manage our way through the recession.

	2008–09 \$'000 (excl GST)	%	2007–08 \$'000 (excl GST)	%
Support core skill bases	1,879	18	532	5
Advance new areas of science & innovation	4,092	39	4,053	40
Transfer knowledge to end-users	1,610	15	1,527	15
Build future research capacity	2,014	19	2,720	27
Bridge the gap between research & commercialisation of new products	939	9	1,250	13
Total	10,534		10,082	

Supporting climate change collaboration

NIWA hosts the secretariat of the New Zealand Climate Change Centre. Covering NIWA’s contribution to the financial support of this centre is just one example of the use to which we put our capability funding.

The centre is a collaborative endeavour involving all nine CRIs, Victoria University of Wellington, and the University of Canterbury. Its goal is to enhance the capacity of New Zealand, both domestically and in partnership with other countries, to anticipate, mitigate, and adapt to climate change. It facilitates collaboration to develop, communicate, and apply science-based solutions to climate change-related issues.

The centre had a busy and successful year. Its highest profile achievements were its inaugural conference, “Climate change adaptation – managing the unavoidable”, in May 2009, and its submission to the emissions trading scheme select committee.

Climate change adaptation conference

The centre took an innovative approach, by commissioning the development of two ‘scenarios’ describing New Zealand’s possible future under climate change, assuming different actions to abate or otherwise global carbon emissions. The centre then invited representatives from six key sectors to address the impacts and adaptation measures they would face under the two scenarios.

The conference reflected the collaborative nature of the centre’s work. Victoria University and NIWA worked together to develop the scenarios, providing both a strong backbone for the conference and several future research opportunities. The Ministry of Agriculture and Forestry, Ministry for the Environment, Meridian Energy, and the Royal Society provided key sponsorship. Over 180 people from across New Zealand and Australia, and a strong media contingent, attended the event.

ETS submission

The centre’s submission to the emissions trading scheme select committee was a strong example of how working across organisations makes good sense for a multi-disciplinary issue such as climate change.

On 31 August 2009, the select committee released its report which contains the following statement: “We support the newly-formed multi-science agency, the New Zealand Climate Change Centre, which will bring together capabilities from across the science system with a particular focus on climate change and adaptation.”

The centre is set to play a strong role in facilitating expert input into national and international climate change processes in future.

CAPABILITY FUNDING

Capabilities maintained, enhanced, or developed with Capability Fund, 2008–09

Areas of nationally recognised expertise	Forecast	Achievements
Aquaculture & Biotechnology	<ul style="list-style-type: none"> maintain skills in biotechnology and finfish broodstock development continue sea-cage trial for finfish aquaculture support proof-of-concept research on novel biotechnologies and added-value opportunities 	<ul style="list-style-type: none"> researched fish nutrition and proper broodstock expanded through wild capture and F1 on-growing proper sea-cage trials initiated in cold water environment supply options researched for novel marine materials with medical and industrial application
Atmospheric Trace Gases	<ul style="list-style-type: none"> maintain critical mass in trace gas and air quality research in the face of declining research time develop a regional carbon cycle model utilising new capability from a postdoctorate 	<ul style="list-style-type: none"> postdoctoral fellow supported to study agricultural greenhouse gases, and technicians trained on measuring vehicle emissions post doctoral fellow supported to implement carbon tracker model
Aquatic Biodiversity & Biosecurity	<ul style="list-style-type: none"> maintain biodiversity capability at risk from declining research time enhance core skills in freshwater biosecurity through support of two visiting scientists continue support for postdoctorate studies in marine biodiversity 	<ul style="list-style-type: none"> 17 scientific papers published, submitted, or prepared visiting scientists supported to study didymo ecology and pest fish biology postdoctoral fellow supported to model marine species distribution patterns
Climate	<ul style="list-style-type: none"> support collaboration on climate change advice through the NZ Climate Change Centre build capability in climate change modelling through support of a postdoctoral fellow 	<ul style="list-style-type: none"> centre supported and national stakeholder conference on adaptation to climate change organised postdoctoral fellow supported to implement regional climate models
Coasts	<ul style="list-style-type: none"> enhance core skills in key areas of coastal hydrodynamics, near-shore ecology, and effects of marine farming through support of five postdoctoral fellows strengthen understanding of interactions between coastal aquaculture and land-derived contamination assist iwi in implementing techniques for managing coastal ecosystems, especially shellfish and pelagic fish 	<ul style="list-style-type: none"> postdoctoral fellows supported to study finfish aquaculture, beach sedimentation modelling, coastal river plume dynamics, food web analysis, and benthic environments researched land-use impacts on coastal regions by use of remote sensing established study with Te Uri A Hau on management of shellfish habitats in the Kaipara Harbour
Energy	<ul style="list-style-type: none"> publish guidelines for assessing environmental impacts of marine energy installations develop and refine wind energy forecast technology 	<ul style="list-style-type: none"> tools developed for marine energy assessments wind forecasts improved through model output statistics
Fisheries	<ul style="list-style-type: none"> develop tools to quantify effects of fishing on seabirds, bycatch, and the environment improve our core fisheries survey and analytical software tools enhance fisheries modelling skills through in-house training 	<ul style="list-style-type: none"> models developed to quantify seabird population changes developed and upgraded software for catch-at-age and ancillary fisheries data analysis training sessions and workshops on modelling and data management completed
Freshwater	<ul style="list-style-type: none"> improve water allocation tools for stakeholders maintain national capabilities in lake and wastewater sciences continue support for postdoctoral fellows in key areas of stakeholder need develop capability in urban waterway science and treatment of urban contaminants enhance national capability in freshwater science through support of two sabbaticals and technical training 	<ul style="list-style-type: none"> improved models on water availability for irrigation research on lake modelling and artificial wetland waste treatment systems postdoctoral fellows supported to study sediment dynamics, catchment modelling, and water chemistry improved ability to model contaminants from stormwater sources staff sabbatical supported to study freshwater quality statistics and training on emerging freshwater contaminants
Māori Development	<ul style="list-style-type: none"> build NIWA's Māori research capability by supporting publication in the primary scientific literature support research on the health of central North Island lakes in collaboration with iwi support staff collaborations and technology transfer initiatives with iwi on lake restoration, estuarine health, and eel stock assessment 	<ul style="list-style-type: none"> five papers published in peer-reviewed scientific journals studies on the health of lake mussel populations completed collaboration established with Ngāti Hine, Ngāti Whanaunga, Ngāti Hikairo, and Ngāti Pukenga on aspects of freshwater management.
Natural Hazards	<ul style="list-style-type: none"> advance the weather and associated flood prediction models promote the use of forecasting products for floods and coastal hazards 	<ul style="list-style-type: none"> catchment models improved through study of catchment processes forecasting products made available to local government and energy companies
Oceans	<ul style="list-style-type: none"> maintain critical mass in core skill areas of ocean sciences through support of three postdoctoral fellows develop new capabilities in ocean geology; in particular, new methods for identifying and characterising active submarine faults 	<ul style="list-style-type: none"> postdoctoral fellows supported to study seabird distributions, ocean modelling, and zooplankton taxonomy researched geomorphology of marine canyons along the active plate boundary
Environmental Information	<ul style="list-style-type: none"> maintain integrity of environmental networks under threat from static FRST funding develop new tools for real-time data capture, transfer, and display 	<ul style="list-style-type: none"> upgraded communication systems of the hydrometric and climate networks enhanced the functioning of newly developed data acquisition and presentation instrumentation

PERFORMANCE AGAINST STATEMENT OF CORPORATE INTENT

Financial Performance Measures

NIWA continues to fulfil its financial obligations as specified in section 5 of the Crown Research Institutes Act 1992. These are:

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

	2008-09 Actual	2008-09 Target	2007-08 Actual
Revenue (total including interest income)	\$120.4M	\$125.6M	\$120.7M
Current ratio	1.2	1.2	1.5
Quick ratio	1.6	1.6	2.1
Adjusted return on equity (using valuation basis comparable with other CRIs)	9.8%	11.9%	17.9%
Return on equity	7.1%	8.8%	12.8%
Return on assets	7.5%	9.2%	12.5%
EBIT margin	7.1%	8.5%	11.3%

All figures in this table comply with the New Zealand International Financial Reporting Standards.

Non-Financial Performance Measures

NIWA operates according to the principles set out in section 5 of the Act, which require:

- a) that research by NIWA should be undertaken for the benefit of New Zealand
- b) that NIWA should pursue excellence in all its activities
- c) that in carrying out its activities, NIWA should comply with any applicable ethical standards
- d) that NIWA should promote and facilitate the application of the results of research and technological developments
- e) that NIWA should be a good employer
- f) that NIWA should be an organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage those interests when able to do so

In most cases, NIWA met its non-financial performance targets for 2008-09. The following commentary focuses on major variances where NIWA either significantly exceeded or did not meet its targets.

Corporate commitment

NIWA has already implemented sustainability initiatives with acceptable payback periods and co-benefits. We committed 0.1% of revenue to sustainability initiatives this year.

External sustainability advice/services

Demand for climate and water information has been exceptionally strong since web-based access to this data became free in July 2007,

The apparent drop in requests for information from the marine invertebrate collection and database is due to changed recording procedures. It was in fact an extremely busy year for the collection, with 16 472 new samples registered on the database. The collection now houses 28 new species unique in the world.

Science outputs and collaboration

Many of our targets for science outputs were exceeded in 2008-09. Examples include the number of peer-reviewed articles and the number of keynote and plenary presentations, indicating that NIWA scientists are highly regarded by their peers.

NIWA has numerous significant interactions with companies and industry boards. Detailed data on this indicator is always included in our September quarterly report to Shareholding Ministers.

The apparent increase in the number of overseas collaborative links reflects new reporting procedures. The figure of 537 is conservative, counting only collaborations established through public good science funding.

Environmental sustainability

Staff uptake of video-conference facilities continues to be higher than anticipated, now at 740 hours for the year.

Good employer

Staff turnover is down, partly reflecting current economic conditions.

Education

Demand for external training courses was relatively low. This year we filled nine, against a target of 20.

Innovation

The increased number of new or improved products, processes, and services (135 this year) reflects a new reporting process. Examples include a new suite of environmental monitoring products, a web-based system supplying water quality information to shellfish harvesters, and an energy asset database for New Zealand.

	Performance Targets		
	2008-09 Actual	2008-09 Target	2007-08 Actual
Corporate commitment			
Board reporting and communication of commitment, sustainability one of core values	0.1%	0.5% revenue directed toward sustainability initiatives	0.3 %**
External sustainability advice/services			
Requests for information from our nationally significant databases and collections			
- National Climate Database	900 000	25 000	360 000**
- Water Resources Archive	84 500	60 000	88 000
- NZ Freshwater Fish Database	2217	1500	1550
- Marine invertebrate collection and database	63	150	> 150
Science outputs and collaboration (including international connectedness)			
Commissioned reports to users*	581	500	495
Presentations on technical information and research results*	563	500	1028
Publications on technical information and research results*			
- Papers in trade journals, magazines, series, or books	177	200	217
- Conference papers and abstracts (submitted)	527	420	392
- Research monographs or books	146	120	86
- Popular books/articles	135	200	217
- Web-based publications	33	20	35
Peer-reviewed articles*	349	300	315
Keynote and plenary presentations*	58	15	31
Customer profile (by revenue & national centre)	See pp. 8-9 of this Annual Report	No target set	See pp. 11-12 of NIWA's Annual Report 2008
Customer feedback	No survey carried out in 2008-09	50% of clients observe an improvement in client relations with NIWA based on survey of industries	No survey carried out in 2007-08
Number of representations on international committees	110 organisations (80 staff)	110	66
Number of collaborative formal links with overseas organisations	537	30	150
Number of international visits/visiting scientists	275 visits 51 visiting scientists	150	159 visits 45 visiting scientists
Number/value of international consultancy contracts	\$3.2M	\$3.0M	\$10.2M
Number of significant interactions with companies and industry boards in NIWA's key target sectors			
- percentage of companies with which NIWA had meaningful interactions	Data to be reported in quarterly report	85%	65%
- percentage of companies with which NIWA was involved in decision-making		30%	38%
- percentage of companies providing revenue		80%	79%
- number of positions on industry boards	> 10	3	>10
Environmental sustainability			
Total greenhouse gas emissions (vehicle fleet, gas, electricity)	8650 tCO ₂	Reduce total emissions for NIWA Science to below 2006-07 levels by 2010 Reduce emissions for vessels to 2006-07 levels by 2010	10 170 tCO ₂ **
Total GHG emissions	12.1 tonnes/FTE	Reduce to 2006-07 levels by 2010 and a further 10% reduction by 2012	14 tonnes/FTE**

	Performance Targets		
	2008-09 Actual	2008-09 Target	2007-08 Actual
Hours of video-conference	740	300	650
Energy efficiency (kWh/m ²) of research buildings	294	Improvement in building efficiency of 5 kWh/m ² by 2010	253.9
Electricity consumption (figures exclude Bream Bay Aquaculture Park & Kupe supercomputer)	8.493 kWh/FTE	Reduction of energy consumption per FTE by 10% by 2012 compared with 2006-07	8.038 kWh/FTE**
Recycling and solid waste production	103 kg/FTE all recycling 168 kg/FTE solid waste	10% reduction in solid waste and paper usage by 2009 (cf. 2003-04)	56kg/ FTE paper recycling 94kg/FTE solid waste
Number of staff using alternative modes of transport	Wellington staff: 66% travel to work using sustainable means more than 3 days a week	50% by 2009	Wellington staff: 60% travel to work using sustainable means more than 3 days a week.
Number of staff who believe sustainability is core to NIWA ethos	52.9%	70% by 2009	59.2%
Social and cultural sustainability			
Total staff FTEs (permanent and fixed term, including subsidiaries)	712.2	750	726
Staff composition (head count)	536 in research teams 33 research support 179 other	502 researchers 43 research support 117 general support 28 management 20 postdocs	501 researchers 41 research support 110 general support 28 management 15 postdocs
Number of noho marae attendees	59	60	57
Good employer			
Achievement of a desirable work-life balance	60.5% positive about working for NIWA 76% see themselves working for NIWA in 12 months' time (no three-year data available)	70% of staff are positive about working for NIWA and see themselves working for NIWA in three years' time	75.8% of staff intend to continue working at NIWA for at least the next 12 months
Value of financial benefits received by staff	\$2.9M	No target set	\$2.8M
Staff turnover	6.3%	< 12%	9.3%
- Key staff	0.61%	< 5%	1.2%
Number of new jobs created			
- Main city centre	27	20	32
- Rural areas	0	10	2
Staff development			
- Staff with professional development plans	65%	90%	Data not available
- Staff days allocated to personal development	439	400	502
Lost time from injuries/accidents	0.014%	< 0.03%	0.012%
Number of incident/near miss reports	77	< 90	140
Education			
Number of postdocs funded, teaching fellowships awarded, PhD & MSc students supervised, scholarships awarded			
- Postdocs funded	10	20	27
- Teacher fellowships	3	3	3
- PhD & MSc students supervised	52	60	51
- Scholarships awarded	3	No target set	
Number of external training courses run	9	20	13
Innovation			
Patents granted			
- In New Zealand	0	1	0
- Overseas	0	1	0
Licensing arrangements entered into	3	3	1
New or improved products, processes, and services	135	20	19
Joint ventures or formal associations	4	6	6
Spin-out companies formed	0	0	0
Spin-off companies formed	0	0	0

* Measured for calendar year.

** Figure adjusted since first reported to enable year-on-year comparisons.



BOARD OF DIRECTORS

Jason Shoebridge, Wendy Lawson, Craig Ellison, Dennis Cairns, Chris Mace, John Morgan (CEO), Ed Johnson, Helen Robinson



Jason Shoebridge

Jason Shoebridge is an Auckland-based management consultant and chartered accountant, who has led consulting assignments across a range of industries and disciplines in New Zealand and overseas. Jason has had a number of senior commercial and financial management roles internationally in large corporates, as well as with an international chartered accounting firm.

Dr Wendy Lawson

Dr Wendy Lawson is a glaciologist with a particular interest in the impacts of climate change and earth systems. She has more than 25 years of remote field science experience in Arctic, Antarctic, and alpine regions. She is head of the Department of Geography and Professor at the University of Canterbury, and serves on the Board of the Antarctic Research Centre at Victoria University.

Craig Ellison (Deputy Chairman)

Craig Ellison is a director on several boards, including Airways Corporation of New Zealand, and New Zealand Trade & Enterprise, as well as chairing the New Zealand Seafood Standards Council. Craig was deeply involved in the settlement of Māori commercial fisheries claims and maintains an interest in Māori governance structures and resource management. He currently chairs the joint industry/government Business Capability Partnership.

Dennis Cairns

Dennis Cairns farms a hill property in Southland. He has held management positions in the mercantile and meat industries and currently holds directorships on several private companies. Dennis was Board member and Chair of the Southland District Health Board from 2001 until 2008. He was also an executive member and Chair of DHBNZ before joining the NIWA Board.

Chris Mace (Chairman)

Chris Mace is an Auckland-based businessman. He chaired the Crown Research Institute ESR in the 1990s and later Antarctica New Zealand. He was a founding trustee of the Sir Peter Blake Trust and continues as a trustee of the Antarctic Heritage Trust. Chris was awarded a CNZM for services to Antarctica and the community, and was appointed Chairman of NIWA in July 2009.

John Morgan (Chief Executive Officer)

John joined NIWA as CEO in April 2007. He has extensive senior executive and governance experience in the science sector, including as CEO of AgriQuality Ltd, Executive Director of Orica New Zealand Ltd, and Chair of New Zealand Pharmaceuticals Ltd. John is passionate about the role science can play in transforming New Zealand's economy, society, and global reputation.

Ed Johnson

Ed Johnson, FInstD, is Chair of Fulton Hogan Ltd, Goldpine Industries Ltd, and Port Marlborough New Zealand Ltd, and a director of several entities. He retired as Chairman and CFO of Shell New Zealand in 2002. In 2001, Ed became the inaugural Honorary Fellow of Massey University's Centre for Business and Sustainable Development.

Helen Robinson

Helen is the founding Chief Executive, TZ1 Registry (now Markit Environmental Registry). Helen has led many technology companies over the past 20 years, including as CEO Microsoft, NZ and as Vice President APAC, Pivotal Corporation. Her directorships include NZ Business Excellence Foundation, Auckland Plus, and MGL Services NZ. She chairs Auckland Metro Project's Innovation Strategy.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The directors take pleasure in presenting the National Institute of Water & Atmospheric Research Ltd (NIWA) and Group Annual Report for the financial year ended 30 June 2009.

Business activities

The NIWA Group provided scientific research and consultancy services in New Zealand and overseas during the financial year. In New Zealand, services were provided to the Foundation for Research, Science and Technology, the Ministry of Fisheries, and a range of other public and private sector customers. Internationally, services were provided by NIWA and its subsidiaries to public and private sector customers predominantly in the USA and Australia.

Results

This financial year the NIWA Group achieved a net surplus of \$6.0 million (2008: \$10.1 million) against a budgeted net surplus of \$7.7 million. This was achieved on a turnover of \$120.4 million (2008: \$120.6 million), against budgeted revenue of \$125.6 million.

Average shareholders' equity at 30 June 2009 totalled \$84.5 million (2008: \$79.3 million). Total average assets were \$114.6 million at 30 June 2009 (2008: \$109.5 million).

Group actual performance versus Statement of Corporate Intent (SCI)

Years ended 30 June	Actual 2009 \$'000	SCI 2009 \$'000	Actual 2008 \$'000
Total revenue (includes interest income)	120,438	125,618	120,671
Operating expenses, depreciation, and amortisation	111,353	115,067	106,291
Operating surplus before tax	9,050	10,529	14,309
Net surplus	6,011	7,670	10,095
Average total assets	114,559	116,243	109,481
Average shareholders' funds	84,465	87,391	79,306
Profitability			
EBIT margin (%) (EBIT/revenue)	7.1	8.5	11.3
Adjusted return on average equity after tax (%) (net surplus/adjusted average equity)	9.8	11.9	17.9
Return on average equity after tax (%) (net surplus/average equity)	7.1	8.8	12.8
Return on assets (%) (EBIT/average total assets)	7.5	9.2	12.5
Liquidity and efficiency			
Current ratio	1.2	1.2	1.5
Quick ratio	1.6	1.6	2.1
Financial leverage			
Debt to average equity (%)	36	34	37
Gearing (%)	1	-	-
Proprietorship (%) (shareholders' funds/total assets)	74	75	72

Donations

Donations of \$8,180 were made during the year (2008: \$10,957).

Dividends

Dividend payments of \$5,649,250 (2008 \$186,750) were made to the Government of New Zealand (the Crown) as the sole shareholder.

Directors

The appointment of Dennis Cairns and Helen Robinson to the Board of Directors on 1 July 2008 and the retirement of Sue Suckling and Graham Hill on 30 June 2009 were the changes to the Board of Directors for the year ended 30 June 2009. Christopher Mace and Jason Shoebridge were appointed to the Board of Directors on 1 July 2009.

Auditors

In accordance with Section 21(1) of the Crown Research Institutes Act 1992, the auditors, Deloitte on behalf of the Auditor-General, continue in office. Their audit remuneration and fees paid for other services are detailed in note 5 of the 'Notes to the Group Financial Statements'.

Interests register

The following are transactions recorded in the interests register for the year.

Parent and subsidiary companies

Interested transactions

Any business the NIWA Group has transacted in which a director has an interest has been carried out on a commercial 'arms-length' basis.

Directors' remuneration

Details of the directors' remuneration are provided in the remuneration of directors section of the governance statement.

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 or disposed of any equity securities of the NIWA Group.

Directors' loans

There were no loans by the NIWA Group to any director.

The directors are pleased with the state of affairs of the NIWA Group.

For and on behalf of the Board:



Christopher Mace
Chairman
28 August 2009



Craig Ellison
Director

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 internal control procedures designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Board, these financial statements fairly reflect the comprehensive income, changes in equity, financial position, and cash flows of the National Institute of Water & Atmospheric Research Ltd and Group for the year ended 30 June 2009.



Christopher Mace
Chairman
28 August 2009



Craig Ellison
Director

CORPORATE GOVERNANCE STATEMENT

Corporate governance approach and principles

Corporate governance remains a topical subject here in New Zealand and around the world due to high profile corporate collapses and weakening global economies. Strong and effective corporate governance is seen as key to restoring accountability for the public, stakeholders, and shareholders.

Our Board of Directors ('the Board') continue to view governance as an essential factor of accountability and are continually striving to achieve and maintain robust and transparent corporate governance.

We believe that corporate governance is not just a matter of ticking boxes to ensure compliance, but simply about doing the right things for our shareholders and stakeholders by applying our highest standards.

Our corporate governance deals with how the company is directed and controlled to ensure good ethical behaviour and promote shareholders' interests in a sustainable way. In particular, corporate governance applies to the role of the Board and the need to ensure a framework of effective accountability and transparency.

Our key elements of effective governance are:

- an **effective board** that has a balance of independence, skills, knowledge, experience, and perspectives;
- input into the company's strategic approach and direction;
- a proactive **audit and legislative committee**;
- a **remuneration committee** that promotes transparency, fairness, and reasonableness;
- a sound **internal control framework**;
- a relevant **code of conduct** to promote our responsible ethical behaviour;
- clear, enforced **policies and procedures**;
- effective **management of risk**;
- independent, effective **external auditors**; and
- transparent **disclosure and effective communication** with the public, our shareholders, and our stakeholders.

The NIWA Group is a Crown Research Institute, established under the terms of the Crown Research Institutes Act 1992 and the Public Finance Act 1989, and all shares are held by the Minister of Finance and the Minister for Research, Science & Technology on behalf of the Crown.

The Board's authority and accountability is based upon the two acts noted above and the Statement of Corporate Intent (SCI). The SCI is produced annually, and sets out the Board's strategic objectives, specific goals, and performance targets. The SCI is submitted to the Shareholding Ministers for acceptance.

The Crown Company Monitoring Advisory Unit issues an "Owner's expectations manual" for Crown Research Institutes which is designed to assist boards to operate efficiently in their roles and to clarify their responsibilities. In particular it takes account of expectations of the board members of a company owned by the Crown, as opposed to private or publicly listed companies. The manual focuses on governance, reporting, and their role and responsibilities in general rather than operational activities.

We are committed to ensure that best practice governance principles and ethical standards are upheld and applied consistently.

This governance statement outlines the main corporate governance practices as at 30 June 2009. Unless otherwise stated, they reflect the over-arching practices in place throughout the financial year ending on that date.

Key elements of effective governance

An effective board has a balance of independence, skills, knowledge, experience, and perspectives.

Board composition and activity

Shareholding ministers appoint Board members under the Crown Entities Act 2004 and the Board are required to meet the same obligations as directors of private sector companies.

Board directors are selected and appointed on the basis of their skills and experience. Additionally, the balance of these skills and experience is required to match the strategic direction and needs of the NIWA Group.

Appointment of directors is for a term of up to three years. Directors may be reappointed for a second term of up to three years, although this is not automatic, with ministers basing their decision on the company's needs. Both the Chair and the Deputy Chair are appointed by the Shareholding Ministers.

During the financial year ended 30 June 2009, the Board comprised seven independent non-executive directors (including the Chair). The director's profiles are presented on page 23. Board meetings are held monthly. The Board formally met twelve times during the financial year.

Membership and attendance

Director	Date of appointment	Appointment term expires	Board	Audit Committee	Remuneration Committee
Sue Suckling (Chair) (resigned 30 June 2009)	1 March 2001	30 June 2009	12	3*	1
Graham Hill (resigned 30 June 2009)	27 May 2002	30 June 2009	11		
Craig Ellison (Deputy Chair)	1 July 2007	30 June 2010	11	3	
Ed Johnson	9 June 2005	30 June 2011	12	3	1
Dennis Cairns	1 July 2008	30 June 2011	11	3	
Helen Robinson	1 July 2008	30 June 2011	9		
Wendy Lawson	1 July 2006	30 June 2012	7		

* The Chair is an ex-officio member of the Audit Committee.

Membership of subsidiary Boards

Director	NIWA Vessel Management Ltd	NIWA Australia Pty Ltd	NIWA Environmental Research Institute	Unidata Pty Ltd
Sue Suckling (resigned 30 June 2009)	√*	√*	√*	
Craig Ellison	√	√	√	
Graham Hill (resigned 30 June 2009)	√	√	√	
Ed Johnson	√	√	√	
David Saunders ¹				√
Wendy Lawson	√	√	√	
Dennis Cairns	√	√	√	
Helen Robinson	√	√	√	
Kate Thomson ²				√*
Bryce Cooper ²				√
Matt Saunders ³				√

* Chair.

¹ Director representing minority interest.

² Management members of the parent company.

³ Management member of Unidata Pty Ltd.

CORPORATE GOVERNANCE STATEMENT

Responsibilities of the Board and management

The Board of the NIWA Group is responsible for managing the business and the affairs of the company as stated within the Companies Act.

The NIWA Group is a Crown company and the Board differs in some respects from a board of a privately owned company. For example, all operation decisions must be in accordance with the company's SCl.

The responsibilities of the Board include but are not limited to:

- establishing objectives;
- reviewing and approving major strategies for achieving objectives;
- managing risks;
- reviewing and approving capital investments;
- ensuring compliance with statutory requirements;
- providing leadership in the relationship with key stakeholders;
- determining the overall policy framework within which the business is conducted;
- establishing appropriate governance structures; and
- monitoring management's performance with respect to these matters.

The Board delegates management of the day-to-day affairs and management responsibilities of the NIWA Group to the Chief Executive Officer (CEO) who, with the support of his executive team, delivers the strategic direction and goals determined by the Board. A formal delegations authority framework establishes the operational and expenditure delegations within which the CEO must operate.

Director development

A sector-specific induction programme is conducted for all new directors by the Crown Company Monitoring Advisory Unit (CCMAU). A formal induction into all aspects of the NIWA Group is provided by the Chair and management representatives.

All directors are responsible for keeping up to date their knowledge of the legal and professional duties of Board members.

Ongoing professional development is agreed between the directors and the Chair as part of the annual review process.

Directors' insurance

The NIWA Group has arranged policies for directors' liability insurance which, with a deed of indemnity, ensures that generally directors will incur no monetary loss as a result of lawful actions undertaken by them as directors. Certain actions are specifically excluded; for example, incurring penalties and fines which may be imposed in respect of breaches of the law.

A proactive audit and legislative committee

Audit and Legislative Compliance Committee

The Audit and Legislative Compliance Committee is a sub-committee of the Board. During the financial year, the Audit and Legislative Compliance Committee comprised three members of the Board and met formally three times with the NIWA Chair as an ex-officio member.

Four main principles underlie the effectiveness of the audit committee:

- independence – all of the members are independent of the Executive Team, therefore they are able to provide objective and impartial advice;
- competence – the members have the required skills and experience to serve on the committee;
- clarity of purpose – the role and purpose of the committee is clearly defined and linked to risk management; and
- open and effective relationships – the committee believes in and encourages open and transparent communication with all management, employees, stakeholders, and internal and external auditors.

The core responsibilities of the Audit and Legislative Compliance Committee include:

- legislative and regulatory compliance;
- the risk management framework;
- the internal control environment;
- internal audit and assurance;
- external audit; and
- financial reporting.

Our Audit and Legislative Compliance Committee is enhanced by regular scheduled meetings, with prearranged dates and written agendas, papers, and minutes which incorporate an action list.

A Remuneration Committee that promotes transparency, fairness, and reasonableness

The Remuneration Committee is a sub-committee of the Board and comprised two members, the NIWA Chair and a NIWA Director.

The Remuneration Committee reviews the remuneration policies applicable to the Chief Executive Officer on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board. The Remuneration Committee also ratifies the remuneration packages of the direct reports to the Chief Executive Officer.

Remuneration packages are reviewed with due regard to performance and other relevant factors.

Directors' remuneration is annually reviewed and approved by the Shareholding Ministers. Remuneration is set at levels that are fair and reasonable in a competitive market for the skills, knowledge, and experience required by the NIWA Group.

Primarily the annual review is a tool to help boards to analyse their performance and identify any areas where performance could be improved. The review assists to provide input into the Chair's succession planning and identification of director training needs.

Boards are additionally reviewed as a whole through a set of performance measures on an on-going basis.

Directors' remuneration received or due and receivable during the year is:

Parent	2009 \$'000	2008 \$'000
Directors of the National Institute of Water & Atmospheric Research Ltd		
Sue Suckling (Chair) (resigned 30 June 2009)	72	72
Craig Ellison (Deputy Chairman)	45	41
Graham Hill (resigned 30 June 2009)	36	36
Ed Johnson	36	36
Wendy Lawson	36	36
Dennis Cairns (appointed 1 July 2008)	36	–
Helen Robinson (appointed 1 July 2008)	36	–
Troy Newton (resigned 30 June 2008)	–	36
John Spencer (resigned 31 October 2007)	–	12
John Hercus (resigned 30 June 2008)	–	36

No fees were paid in respect of directors of the subsidiaries NIWA Vessel Management Ltd, NIWA Environmental Research Institute, NIWA Australia Pty Ltd, NIWA Natural Solutions Ltd, EcoConnect Ltd, and Unidata Pty Ltd, other than those shown above.

Remuneration of employees

NIWA aims to provide a skills influenced remuneration system that rewards people appropriately, recognising contribution to the business and individual performance.

Our remuneration system supports our business plan and values:

- we have the right people;
- we produce high quality science; and
- we challenge and reward staff.

Our remuneration system will continue to be upgraded and reviewed as required to meet the NIWA Group's and employees' needs.

Remuneration packages for all employees are reviewed with due regard to performance and other relevant factors.

The numbers of employees (not including directors) whose total remuneration exceeded \$100,000 is:

Group \$	2009	2008
100,000–109,999	36	51
110,000–119,999	17	30
120,000–129,999	12	11
130,000–139,999	6	6
140,000–149,999	3	9
150,000–159,999	3	1
160,000–169,999	2	4
170,000–179,999	3	5
180,000–189,999	4	–
210,000–219,999	1	–
220,000–229,999	1	2
250,000–259,999	–	1
260,000–269,999	1	–
270,000–279,999	1	1
420,000–429,999*	–	1
550,000–559,999*	1	–

* Chief Executive Officer's remuneration band (2009 includes an at risk component).

A sound internal control framework

An internal control framework is essential to ensure that there are controls in place to mitigate significant business risk. The internal control framework is embedded across the NIWA Group and is clearly understood and reinforced by management through the documented policies and procedures which are regularly reviewed.

The framework is effective in ensuring:

- compliance with laws and regulations;
- that all transactions are properly accounted for to allow the preparation of the financial statements; and
- that assets are safeguarded against improper or unauthorised use.

CORPORATE GOVERNANCE STATEMENT

A relevant code of conduct to promote our responsible ethical behaviour

The reputation and standing of the NIWA Group is determined to a large degree by public perception of the conduct of its staff (including the Board and management). We promote the highest standards of integrity, discretion, and ethical conduct.

The NIWA Group encourages staff to:

- perform to the best of their ability, and be committed to a high quality of work performed in a safe manner;
- take the initiative and be creative in resolving problems, seeking improved productivity, and responding to opportunities within areas of responsibility;
- make decisions and be responsible for those decisions and the actions that flow from them;
- be supportive of their work teams; and
- treat staff and equipment with care and respect;

It is expected that managers will guide staff in accordance with management's philosophy, policies, and standards.

In making decisions about conflicts of interest, management are guided by the concepts of integrity, honesty, transparency, openness, independence, and good faith. Situations may not be clear-cut, and judgement is exercised when necessary on a case by case basis.

Both employees and directors must disclose any financial, professional, or personal interests (direct or indirect) that may create a conflict with the Group's interests. We expect both our employees and directors to be open and honest with disclosures.

Clear, enforced policies and procedure

The effectiveness of the NIWA Group's governance system relies on the defined "rules" in which the NIWA Group operates. A comprehensive set of policies and procedures is located on our intranet to which all employees have access. It is important that these are documented, accessible, understood, and enforced as they create the foundation of right and wrong in our business processes and activities. The policies and procedures are reviewed on a regular basis to ensure new developments and processes are reflected.

Effective management of risk

Risk averse governance is not good governance. Effective risk management is the key to success. Each director requires a clear understanding of the current and potential risks the NIWA Group may be exposed to, especially in the ever-changing economic environment.

Risk management has been incorporated into the normal business processes of the NIWA Group, with practices such as business planning and budgeting, operational management, and project management. Appropriate processes are regularly verified by the Board to identify and manage potential and relevant risks.

The Board reviews the delegations authority framework which sets authorities for operational and expenditure delegations, including authority for undertaking treasury activities of the NIWA Group. Regardless of the terms of the delegated authority, ultimate responsibility rests with the Board.

The Audit and Legislative Compliance Committee receives reports on internal audit and risk management reviews. The committee also meets with the external auditors to discuss findings and management comments from the annual audit.

Independent, effective external auditors

The appointment of auditors to conduct statutory work, and the annual audit fees, are approved annually by the Auditor-General.

The Board and the auditors are jointly responsible for ensuring that the audit is conducted with independence, integrity, and objectivity.

Rotation of audit partners promotes independence and objectivity. Audit partners are rotated every six years; the 2007-08 and 2008-09 years had an audit partner rotation.

To ensure the independence of the external auditors, NIWA does not consult the external auditor for tax or management related services and takes care not to make use of the external auditors for any work which they may need to evaluate as part of the external audit.

Transparent disclosure and effective communication with the public, our shareholders, and our stakeholders

Effective communication underpins the trust relationship among the shareholders, the Board, management, and stakeholders.

As expressed in the owner's expectations manual, all Crown entities should engage with stakeholders to assist with the government's industrial, environmental, and social development objectives, particularly for science and innovation to raise productivity and add value. To achieve this we build on existing knowledge, develop new knowledge, and transfer this knowledge for the benefit of New Zealand.

Contained within the non-financial performance measures section are details on how the NIWA Group transfers our knowledge to the public, end-users, and our peers. Examples of this transfer of knowledge include the access of information on our free databases, presentations of work from scientists to users and peers, reports to users, and sponsorships of various science fairs.

Our direct customers are those who fund our research and applied science services. The government is our largest customer, but we also conduct research for, and provide advice and information to, many others, ranging from international conglomerates to local commercial fishers and schools.

Most of our research and applied science is aimed at addressing issues which are relevant to the general public – the sustainability of our society and civilisation.

Each year an operating framework is issued to Crown Research Institutes and is the cornerstone document in which Shareholding Ministers communicate their yearly expectations.

From the operating framework, the Board develops a Statement of Corporate Intent (SCI) which Shareholding Ministers need to approve before it is tabled in Parliament and becomes a public document. Shareholding Ministers are then accountable to Parliament for the performance against the SCI.

The NIWA Group reports annually to Parliament on its performance in its annual report. A half-yearly report and quarterly progress reports are also prepared for Shareholding Ministers and performance is measured against the objectives in the SCI. This continuous disclosure is a major contributor to the high standard of information provided to our shareholders.

Governance achievements

Our employees are the core ingredient of NIWA's success. Interactions between staff and the Board are valuable in assisting the Board to remain up-to-date with our science, people and activities. Increased visibility has resulted from holding Board meetings and luncheons at NIWA's various locations.

As part of continuous improvement, and to meet the demands of remaining competitive, we have begun to implement a more rigorous procurement function. During 2008–09 a procurement and asset manager was employed to lead this activity.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2009

in thousands of New Zealand dollars	Notes	Group 2009 Actual	Group 2009 Budget	Group 2008 Actual	Parent 2009 Actual	Parent 2008 Actual
Revenues and other gains	4					
Public good science and technology						
Contract funding		48,349	47,894	45,453	48,349	45,453
Capability Fund		10,534	10,534	10,083	10,534	10,083
Ministry of Fisheries		14,121	17,207	15,127	14,121	15,127
Commercial		46,944	50,074	49,284	39,976	39,289
Share of associate's net gain/(deficit)		-	(91)	38	-	-
Dividends from subsidiaries		-	-	-	-	2,500
Total income		119,948	125,618	119,985	112,980	112,452
Operating expenses	5					
Employee benefits expense		(57,345)	(59,820)	(55,090)	(52,144)	(49,889)
Other expenses		(41,989)	(43,633)	(41,086)	(44,864)	(43,230)
		(99,334)	(103,453)	(96,176)	(97,008)	(93,119)
Profit/(loss) before interest, income tax, depreciation, and amortisation		20,614	22,165	23,809	15,972	19,333
Depreciation and impairment	15	(11,555)	(11,315)	(9,714)	(9,985)	(8,498)
Amortisation		(464)	(299)	(448)	(417)	(311)
Profit/(loss) before interest and income tax		8,595	10,551	13,647	5,570	10,524
Interest income		490	-	685	481	679
Finance expense		(35)	(22)	(23)	(11)	-
Net interest and other financing income	6	455	(22)	662	470	679
Profit/(loss) before income tax		9,050	10,529	14,309	6,040	11,203
Income tax credit/(expense)	7	(3,039)	(2,859)	(4,214)	(1,921)	(2,776)
Profit/(loss) for the period		6,011	7,670	10,095	4,119	8,427
Other comprehensive income						
Foreign currency translation differences for foreign operations		23	-	26	-	-
Total comprehensive income for the period		6,034	7,670	10,121	4,119	8,427
Profit/(loss) attributable to:						
Parent interest		5,993	7,612	10,035	4,119	8,427
Minority interest		18	58	60	-	-
Profit for the period		6,011	7,670	10,095	4,119	8,427
Total comprehensive income attributable to:						
Parent interest		6,016	7,612	10,061	4,119	8,427
Minority interest		18	58	60	-	-
Total comprehensive income for the period		6,034	7,670	10,121	4,119	8,427

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 year ended 30 June 2009

Group in thousands of New Zealand dollars	Notes	Share capital	Retained earnings	Minority interest	Foreign currency translation reserve	Total equity
Balance at 1 July 2007		24,799	49,551	(11)	-	74,339
Profit for the year		-	10,035	60	-	10,095
Translation of foreign operations		-	-	-	26	26
Total comprehensive income		-	10,035	60	26	10,121
Dividends to equity holders	9	-	(187)	-	-	(187)
Balance at 30 June 2008		24,799	59,399	49	26	84,273
Balance at 1 July 2008		24,799	59,399	49	26	84,273
Profit for the year		-	5,993	18	-	6,011
Translation of foreign operations		-	-	-	23	23
Total comprehensive income		-	5,993	18	23	6,034
Dividends to equity holders	9	-	(5,649)	-	-	(5,649)
Balance at 30 June 2009		24,799	59,743	67	49	84,658
Parent in thousands of New Zealand dollars	Notes	Share capital	Retained earnings	Total equity		
Balance at 1 July 2007		24,799	42,885	67,684		
Profit for the year		-	8,427	8,427		
Total comprehensive income		-	8,427	8,427		
Dividends to equity holders	9	-	(187)	(187)		
Balance at 30 June 2008		24,799	51,125	75,924		
Balance at 1 July 2008		24,799	51,125	75,924		
Profit for the year		-	4,119	4,119		
Total comprehensive income		-	4,119	4,119		
Dividends to equity holders	9	-	(5,649)	(5,649)		
Balance at 30 June 2009		24,799	49,595	74,394		

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

in thousands of New Zealand dollars	Note	Group 2009 Actual	Group 2009 Budget	Group 2008 Actual	Parent 2009 Actual	Parent 2008 Actual
Equity						
Share capital	8	24,799	24,799	24,799	24,799	24,799
Equity reserves		59,792	65,960	59,425	49,595	51,125
Shareholders' interest		84,591	90,759	84,224	74,394	75,924
Minority interest		67	25	49	-	-
Total equity		84,658	90,784	84,273	74,394	75,924
Non-current liabilities						
Unsecured loans	10	260	231	241	-	-
Employee entitlements	11	726	811	812	638	725
Deferred tax liability	12	3,542	4,133	3,476	2,223	2,105
Intercompany	22	-	-	-	8,875	10,884
Total non-current liabilities		4,528	5,175	4,529	11,736	13,714
Current liabilities						
Payables and accruals	13	10,580	8,225	10,221	9,113	9,531
Revenue in advance	13	7,094	7,906	7,063	7,086	7,094
Short-term advance facility	14	650	-	-	650	-
Employee entitlements	11	7,915	8,312	7,607	7,233	7,118
Taxation payable		-	-	-	-	-
Total current liabilities		26,239	24,443	24,891	24,082	23,743
Total equity and liabilities		115,425	120,402	113,693	110,212	113,381
Non-current assets						
Property, plant, & equipment	15	84,287	85,917	75,038	68,631	64,101
Identifiable intangibles	17	37	40	87	-	-
Investments	21	-	-	-	12,709	12,709
Receivables	18	314	-	335	314	335
Total non-current assets		84,638	85,957	75,460	81,654	77,145
Current assets						
Cash and cash equivalents		3,099	7,722	9,303	2,094	9,060
Receivables	18	18,472	18,996	19,704	18,190	18,814
Prepayments		1,380	600	1,011	1,360	987
Taxation receivable		886	27	1,144	1,033	1,638
Uninvoiced receivables	26	4,686	4,901	4,471	4,686	4,466
Assets held for sale	15	-	-	107	-	107
Inventory	19	2,264	2,199	2,493	1,195	1,164
Total current assets		30,787	34,445	38,233	28,558	36,236
Total assets		115,425	120,402	113,693	110,212	113,381

For and on behalf of the Board:

Christopher Mace
Chair
28 August 2009



Craig Ellison
Director



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 year ended 30 June 2009

in thousands of New Zealand dollars	Note	Group 2009 Actual	Group 2009 Budget	Group 2008 Actual	Parent 2009 Actual	Parent 2008 Actual
Cash flows from operating activities						
Cash was provided from:						
Receipts from customers		120,820	124,665	119,976	113,201	110,302
Dividends received		5	–	2	5	2,502
Interest received		490	–	686	481	679
Cash was disbursed to:						
Payments to employees and suppliers		(99,035)	(102,375)	(97,208)	(97,953)	(93,746)
Interest paid		(35)	(22)	(23)	(10)	–
Taxation paid		(2,714)	(3,177)	(4,731)	(1,198)	(3,244)
Net cash inflow from operating activities	20	19,531	19,091	18,702	14,526	16,493
Cash flows from investing activities						
Cash was provided from:						
Sale of property, plant, & equipment		301	–	95	298	95
Cash was applied to:						
Purchase of property, plant, & equipment	15	(20,770)	(19,324)	(13,527)	(14,515)	(12,455)
Purchase of intangible assets	17	(417)	(400)	(458)	(417)	(311)
Sale of associate		–	500	500	–	500
Net cash (outflow) in investing activities		(20,886)	(19,224)	(13,390)	(14,634)	(12,171)
Cash flows from financing activities						
Cash was applied to:						
Dividends paid to shareholders	9	(5,649)	(860)	(187)	(5,649)	(187)
Short-term advance facility (repaid)	14	650	–	–	650	–
Subsidiary loan proceeds		–	22	–	15,308	21,129
Subsidiary loan (repaid)		–	–	–	(17,317)	(19,832)
Net cash inflow (outflow) from financing activities		(4,999)	(838)	(187)	(7,008)	1,110
Net increase/(decrease) in cash and cash equivalents		(6,354)	(971)	5,125	(7,116)	5,432
Effects of exchange rate changes on the balance of cash held in foreign currency		150	–	40	150	9
Opening balance of cash and cash equivalents		9,303	8,693	4,138	9,060	3,619
Closing cash and cash equivalents balance		3,099	7,722	9,303	2,094	9,060
Made up of:						
Cash		3,099	7,722	4,303	2,094	4,060
Short-term deposits		–	–	5,000	–	5,000
Closing cash and cash equivalents balance		3,099	7,722	9,303	2,094	9,060

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

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2009

1. Reporting entity

The National Institute of Water & Atmospheric Research Ltd (NIWA) and Group is a profit-oriented company registered in New Zealand under the Companies Act 1993.

The consolidated (or 'Group') financial statements comprise NIWA (the 'parent company'), its subsidiaries, and the Group's interest in associates and joint ventures. The financial statements for NIWA and the 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 1993. The NIWA financial statements are for the parent company as a separate entity.

2. Nature of activities

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

3. Statement of accounting policies

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). The financial statements were authorised for issue by the directors on 28 August 2009.

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 below. Cost is based on the fair value of consideration given in exchange for assets.

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

Accounting policies are selected and applied in a manner to ensure 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 2009 and the comparative information for the year ended 30 June 2008.

Adoption of new and revised standards

Standards issued and adopted early

NZ IAS 1 (Revised) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009);

The impact of the changes to NZ IAS 1 has been to change the disclosures provided in these financial statements regarding the Group's recognised income and expenses. The revised NZ IAS 1 requires the presentation of all recognised income and expenses in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. The revised standard also includes other minor changes to presentation and disclosure requirements

Standards and interpretations in issue not yet adopted

The following new standards and interpretations had been issued at reporting date but are not yet effective.

Application of the following standards, which are effective from 1 July 2009 unless otherwise stated, will require additional disclosure or will have no material impact on the financial statements in the period of initial application:

- Improvements to New Zealand Equivalents to International Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010)
- Omnibus amendments (2009-1)
- Omnibus amendments (2008 effective for accounting periods beginning on or after 1 January 2009)
- First time adoption of NZ IFRS (NZ IFRS1 restructured)
- Improving disclosures about financial instruments (amendments to NZ IFRS 7 Financial Instruments: disclosure, effective for accounting periods beginning on or after 1 January 2009)

- Operating segments (NZ IFRS 8 effective for accounting periods beginning on or after 1 January 2009)
- Hedges of a net investment in a foreign operation (NZ IFRIC 16 effective for accounting periods beginning on or after 1 October 2008)
- Borrowing costs (NZ IAS 23 effective for accounting periods beginning on or after 1 January 2009)
- Consolidated and separate financial statements (NZ IAS 27 revised)
- Amendments to financial instruments: presentation (NZ IAS 32 effective for accounting periods beginning on or after 1 January 2009)
- Amendments to financial instruments: recognition and measurement (NZ IAS 39)

Application of the following standards and interpretations, which are effective from 1 July 2009 unless otherwise stated, will not have any impact on the financial report of the company because they are not relevant to the company's current activities:

- Share based payments (NZ IFRS 2 effective for accounting periods beginning on or after 1 January 2009)
- Business combinations (NZ IFRS 3)
- Insurance contracts (NZ IRRS 4 effective for accounting periods beginning on or after 1 January 2009)
- Agreements for the construction of real estate (NZ IFRIC 15 effective for accounting periods beginning on or after 1 January 2009)
- Distribution of non-cash assets to owners (NZ IFRIC 17)
- Transfer of assets from customers (NZ IFRIC 18)

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions concerning the future. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies.

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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant risk of causing a material adjustment within the next year or that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 11 Provision for employee entitlements
- Note 13 Valuation of revenue in advance
- Policy (k) The estimated useful economic lives of assets

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial reports and have been applied consistently to all periods, unless otherwise stated.

(a) Basis of consolidation

i) Consolidation of subsidiaries

Subsidiaries are those entities controlled by NIWA. The Group's financial statements have been prepared using the purchase method of consolidation. This involves adding corresponding assets, liabilities, revenues, and expenses on a line-by-line basis. All intercompany transactions, balances, and unrealised profits are eliminated on consolidation. The results of any subsidiaries that become or cease to be part of the Group during the year are consolidated from the date that control commenced or until the date that control ceased.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised on acquisition together with the minority interest's share of post acquisition surpluses. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries are recorded at cost in the parent financial statements.

ii) Accounting for associates

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the Group has the capacity to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The Group financial statements incorporate the Group's interest in associates, using the equity method, as from the date that significant influence commenced until the date the significant influence ceased. The investments are recorded at the lower of carrying value and recoverable amount.

The Group recognises its share of the associates' net surplus or deficit for the year in its statement of comprehensive income. The Group recognises its share of other post-acquisition movements in reserves in its statement of changes in equity. Dividends received from associates are recognised directly against the carrying value of the investment. In the statement of financial position the investment and the reserves are increased by the Group's share of the post-acquisition retained surplus and other post-acquisition reserves of the associates less any impairment. In assessing the Group's share of earnings of associates, the Group's share of any unrealised profits between group companies and associates is eliminated.

iii) Accounting for joint ventures

Joint ventures are joint arrangements between NIWA and another party in which there is a contractual agreement to undertake a specific business project in which the venturers share joint and several liabilities in respect of the costs and liabilities of the project and share in any resulting output. NIWA's share of the assets, liabilities, revenues, and expenses of the joint ventures is incorporated into the parent company and Group financial statements on a line-by-line basis using the proportionate consolidation method.

iv) Accounting for goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

(b) Revenue recognition

Rendering of services

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at reporting date. The amount of revenue unbilled is represented by 'uninvoiced receivables', which is stated at the proportion to the stage of completion in the statement of financial position. Revenue received but not earned is recognised as revenue in advance on the face of the statement of financial position.

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract sale. For sales of instruments, transfer occurs upon receipt by the customer.

Dividend revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

(c) Government grants

Government grants are assistance by the government in the form of transfers of resources to the group in return for past or future compliance with certain conditions relating to the operating activities of the group. The primary condition is that the Group should undertake research activities as defined under the contractual agreements which award the funding.

Government grants relating to this funding are recognised as income in the statement of comprehensive income on a systematic basis in the equivalent period in which the expense is recognised.

There were no government grants received during the year (2008: Nil).

(d) Goods and services tax (GST)

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

(e) Employee benefits

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 at their nominal values 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 of 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.

(f) Impairment of tangible and intangible assets (excluding goodwill)

Intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less cost to sell and value in use.

If the recoverable amount of the asset is estimated to be less than its carrying value, the carrying value is reduced to its recoverable amount. An impairment loss is recognised to the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount, but only to the extent that the increased carrying value does not exceed the carrying amount that would have been recognised if the asset had no impairment loss recognised in the past. This reversal is recognised to profit or loss.

(g) Income tax

The income tax expense for the period is the tax payable on the current period'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.

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 liabilities are recognised for the taxable temporary differences arising on investment in subsidiaries, associates and joint ventures, except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference from these investments are only recognised to the extent that it is probable there will be sufficient taxable profits against which to utilise the asset and they are expected to reverse in the foreseeable future.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2009

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited direct to equity, in which case the deferred or current tax is recognised directly to equity. The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(h) Purchased intangible assets

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 their estimated useful lives. The estimated useful life and amortisation method are reviewed each balance date.

The estimated useful life for the copyrights is 5 years.

The estimated useful life for software is 1 year.

(i) Development costs

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

- the product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- the ability to use or sell the product or process;
- the Group intends to produce and market, or use, the product or process;
- the existence of a market for the product or process or its usefulness to the Group, if it is to be used internally, can be demonstrated;
- adequate resources exist, or their availability can be demonstrated, to complete the projects and market or use the product or process.

Capitalisation is limited to the amount which, taken together with any further related costs, is likely to be recovered from related future economic benefits. Excess is recognised as an expense.

Development costs recognised as an asset are amortised in the statement of comprehensive income on a straight-line basis over the period of expected benefits.

When the unamortised balance of development costs exceeds the recoverable amount, the excess is written down and recognised immediately 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 purchase identifiable intangible assets.

The estimated useful life is between 1 and 5 years.

There were no development costs during the year.

(j) Property, plant, and equipment

Property, plant, and equipment are stated at deemed 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 the assets' existing service potential. Expenditure incurred to maintain future economic benefits is classified as repairs and maintenance.

(k) Depreciation

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

Buildings & leasehold improvements

Buildings	40 years
Leasehold improvements, freehold property	10 years
Leasehold improvements, rented property	5–12 years

Vessels

RV <i>Tangaroa</i> hull	26 years
RV <i>Kaharoa</i> hull	16 years

Plant & equipment

Plant & equipment	10 years
Scientific equipment	4 years

Electronic data processing equipment

Supercomputer	5 years
Electronic data processing equipment	3 years
Office equipment	5 years
Furniture & fittings	10 years
Motor vehicles	4 years
Small boats	5 years

(l) Receivables

Receivables are categorised as loans and receivables.

Loans and receivables are stated at amortised cost using the effective interest rate, less any impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off against the provision, once approved by the Board of Directors. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Changes in the carrying amount of the provision are recognised in the statement of comprehensive income.

(m) Inventory

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

(n) Foreign currencies

i) Transactions

Transactions in foreign currencies are converted to the functional currency of New Zealand dollars, by applying the spot exchange rate between the functional currency and the foreign currency at the date of transaction. 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 taken to the statement of comprehensive income.

ii) 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 period. 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 the foreign currency exchange reserve.

Goodwill and fair value adjustment arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the exchange rate ruling at balance date.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group has not contracted for any leases which would be classified as finance leases.

Operating lease payments are recognised on a systematic basis that is representative of the benefit to the Group (straight line).

(p) Statement of cash flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income. Operating activities comprise the provision of research services, consultancy, and manufacture of scientific instruments and other activities that are not investing or financing activities. Investing activities comprise the purchase and disposal of property, plant, and equipment, and advances to subsidiaries. Financing activities are those which result in changes in the size and composition of the capital structure of the Group.

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market, net of outstanding bank drafts.

(q) Net interest and other financing costs

Realised gains and losses arising from effective hedges of net interest and other financing costs are recognised in the same line as related hedged item.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(r) Financial instruments

Derivative financial instruments

The Group may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing, and investing activities.

Derivative financial instruments such as forward exchange contracts are categorised as held for trading (unless they qualify for hedge accounting), and are initially recognised in the statement of financial position at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship:

1) Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. If the hedge is ineffective, changes in the fair value are recognised in the statement of comprehensive income. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the statement of comprehensive income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

There were no derivative financial instruments outstanding at 30 June 2009 (2008: Nil).

Other financial assets

Non-derivative financial instruments comprise trade receivables, cash and cash equivalents, and uninvolved receivables, and are initially recorded at fair value plus transaction costs (except for fair value through profit or loss which are initially recorded at fair value).

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and recorded at cost in the parent's financial statements.

These are classified into the following specified categories; classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition, this designation is re-evaluated at each reporting date:

1) Financial assets at fair value through the statement of comprehensive income

Financial assets held for trading purposes are classified as current assets and are stated at fair value, and changes resulting in a gain or loss are recognised in the statement of comprehensive income.

2) Held to maturity investments

Held to maturity investments have fixed or determinable payments and fixed maturities and the Group has the positive intention and ability to hold to maturity. These are subsequently recorded at amortised cost using the effective interest method less impairment; revenue is recognised on an effective interest basis.

3) Available for sale financial assets

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being available for sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

4) Loans and receivables

Loans and receivables have fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position which are classified as a non-current asset. These are subsequently recorded at amortised cost less impairment.

A financial asset is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a derivative that is not designated and effective as a hedge instrument; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making.

A financial asset other than a financial asset held for trading may be designated as at fair value upon recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with either the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is allowable to be designated at fair value through profit or loss.

Financial assets, other than those at fair value, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial liabilities

Financial liabilities are categorised as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are categorised as at fair value through profit and loss where the liability is either held for trading or it is designated as at fair value. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a derivative that is not designated and effective as a hedge instrument; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making.

A financial liability other than a financial liability held for trading may be designated as at fair value upon recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with either the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is allowable to be designated at fair value through profit or loss.

Financial liabilities at fair value are stated at fair value with any resultant gain or loss recognised in the statement of comprehensive income. This incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

(s) Changes in accounting policies

There have been no changes in accounting policies this period.

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2009

4. Revenues and other gains

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Sale of goods	10,637	14,129	2,713	2,732
Rendering of services	109,113	105,837	110,072	107,142
Dividends	5	2	5	2,502
Total operating revenue	119,755	119,968	112,790	112,376
Other gains	193	16	190	76
Total operating revenue and other gains	119,948	119,985	112,980	112,452

Revenue for the 2009 and 2008 period is generated from continuing operations.

5. Operating expenses

Operating expenses

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Operating expenses include:				
Rental and operating lease costs	1,791	1,045	1,702	986
Remuneration of directors	298	304	298	304
Net (gain)/loss on sale of property, plant, & equipment	(193)	(21)	(190)	(76)
Net (gain)/loss on sale of associates	-	97	-	-
Bad debts written off	8	14	8	14
Movement within doubtful debt provision	(9)	(48)	(9)	(48)
(Gain)/loss on foreign currency cash held	150	40	150	9

Auditor's remuneration

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Auditor's remuneration to Deloitte comprise:				
Audit of the financial statements	165	113	143	95
Other assurance services	-	-	-	-
Total auditor's remuneration	165	113	143	95

In 2008-09, the Group paid compensation or other benefits to seven people who ceased to be employees during the financial year. The total value of the payment was \$189,757.82 (2007-08: \$103,812.36).

6. Net interest and other financing income

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Interest income on bank deposits	490	685	481	679
Finance income	490	685	481	679
Finance expense	35	23	11	-
Net interest and other financing income	455	662	470	679

7. Income tax

The income tax expense is determined as follows:

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Income tax expense				
Current tax	2943	5,110	1,767	3,469
Deferred tax relating to temporary differences	96	(896)	154	(693)
Income tax expense	3,039	4,214	1,921	2,776

Reconciliation of income tax expense

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Operating profit before income tax	9,050	14,309	6,040	11,203
Tax at current rate of 30% (2008: 33%)	2,715	4,721	1,812	3,697
Adjustments to taxation:				
Intercompany dividends	-	-	-	(750)
Share of associate's net gain	-	11	-	-
Other non deductible expenses	32	63	11	18
Under/(over) provision in previous year	292	(581)	98	(189)
Income taxation expense	3,039	4,214	1,921	2,776

The 2007 Crown budget introduced the reduction in the company tax rate from 33% to 30%. This impacted the NIWA Group's calculation from 1 July 2008.

8. Share capital

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Issued and fully paid capital	24,799	24,799	24,799	24,799
24,798,700 ordinary shares (2008: 24,798,700 ordinary shares)				

All shares carry equal voting and distribution rights; if the company is to be wound down, all proceeds are distributed equally amongst the shareholders.

9. Dividends

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Payments were made on:				
22 May 08	-	(187)	-	(187)
5 December 08	(649)	-	(649)	-
5 June 09	(860)	-	(860)	-
29 June 09	(4,140)	-	(4,140)	-

These dividend payments were made to the Government of New Zealand (the Crown) as the sole shareholder.

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2009

10. Unsecured loan

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Shareholder loan	260	241	–	–

The loan is unsecured and relates to a vendor finance agreement on the acquisition of a subsidiary, Unidata Pty Ltd. The loan is not subject to any interest charge. Repayment will be made when, and in such amounts as, the cash flow and profitability of Unidata Pty Ltd permit, with full repayment due on 7 May 2014. The loan is valued using the effective interest rate method; interest expense is recognised on an effective yield basis annually.

11. Employee entitlements

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Accrued remuneration:				
Salary accrual	2,081	1,629	1,758	1,451
Annual leave	4,565	4,786	4,238	4,494
Training leave	115	97	115	97
Long service leave	1,154	1,094	1,122	1,076
Retirement leave	726	813	638	725
Total employee entitlement provision	8,641	8,419	7,871	7,843
Comprising:				
Current	7,915	7,607	7,233	7,118
Non-current	726	812	638	725

The provisions for long service leave, retirement leave, and training leave, are dependent upon a number of factors that are determined by the expected employment period of employees, current remuneration, and the timing of employees using the benefits. Any changes in these assumptions will impact on the carrying amount of the liability. In determining long service leave the employment period is based upon historical length of service to determine the appropriate liability. Training leave is based upon historical usage of the benefit to calculate the likelihood of incurring further benefits.

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Balance at the beginning of the year	8,419	9,988	7,843	9,203
Additional provision recognised	4,906	2,901	4,214	2,562
Amount utilised	(4,684)	(4,470)	(4,186)	(3,922)
Balance at the end of the year	8,641	8,419	7,871	7,843

12. Deferred tax liability and assets

12a. Deferred tax liability

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Provisions and prepayments	(555)	(678)	(358)	(527)
Depreciation	4,097	4,154	2,581	2,632
	3,542	3,476	2,223	2,105
Movements:				
Balance at the beginning of the year	3,476	4,424	2,105	2,871
Under-provided in prior years	(30)	(52)	(36)	(73)
Charged to the statement of comprehensive income	96	(896)	154	(693)
Balance at the end of year	3,542	3,476	2,223	2,105

12b. Imputation credits

The NIWA Group is not required to establish or maintain an imputation credit account by virtue of its classification as a Crown Research Institute. The Income Tax Act 2004 confirms this requirement.

13. Payables and accruals

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Trade payables	10,580	10,221	9,113	9,531
Revenue in advance	7,094	7,063	7,086	7,094
Total	17,674	17,284	16,199	16,625

Trade payables are payable per normal commercial terms.

Revenue in advance relates to contracted services which have been billed in advance, yet not recognised as revenue in the statement of comprehensive income.

Assumptions underlying the revenue in advance which is a function of expected costs to complete the required contractual arrangements include the performance of employees to complete the contract in the future specified time frames, internal procedures and the review of the procedures which calculate the revenue in advance. These assumptions are based upon management discretion utilising regularly updated budgets.

14. Short-term advance facility

A short-term advance facility is available from Westpac Banking Corporation.

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Advance facility	650	-	650	-

The facility is unsecured, but subject to various covenants that were complied with during the year. The facility is operated on an on-call basis with a limit available to borrow a further \$4.4 million (2008: \$3.5 million).

15. Property, plant, and equipment

Group in thousands of New Zealand dollars	Land	Buildings & leasehold improvements	Vessels	Plant & equipment
Cost				
Balance at 1 July 2008	12,429	42,526	18,423	60,627
Additions	-	5,155	-	8,953
Disposals	-	(895)	-	(868)
Foreign currency	-	-	-	(9)
Balance at 30 June 2009	12,429	46,786	18,423	68,703
Accumulated depreciation and impairment losses				
Balance at 1 July 2008	-	10,778	9,520	44,500
Depreciation charge	-	2,420	739	5,323
Impairment	-	-	-	-
Disposals	-	(943)	-	(893)
Balance as at 30 June 2009	-	12,255	10,259	48,929
Net book value at 30 June 2009	12,429	34,531	8,164	19,774
Group in thousands of New Zealand dollars				
Cost				
Balance at 1 July 2007	12,429	41,960	18,423	53,677
Additions	-	1,153	-	7,827
Transfers	-	(565)	-	20
Disposals	-	(23)	-	(903)
Foreign currency	-	-	-	7
Balance at 30 June 2008	12,429	42,526	18,423	60,627
Accumulated depreciation and impairment losses				
Balance at 1 July 2007	-	9,046	8,781	41,081
Depreciation charge	-	2,166	739	4,303
Impairment	-	45	-	6
Transfers	-	(459)	-	-
Disposals	-	(23)	-	(890)
Balance as at 30 June 2008	-	10,775	9,520	44,500
Net book value at 30 June 2008	12,429	31,751	8,903	16,127
Parent in thousands of New Zealand dollars				
Cost				
Balance at 1 July 2008	12,429	42,346	-	53,674
Additions	-	5,155	-	6,452
Transfers	-	-	-	-
Disposals	-	(895)	-	(937)
Balance at 30 June 2009	12,429	46,606	-	59,189
Accumulated depreciation and impairment losses				
Balance at 1 July 2008	-	10,640	-	38,673
Depreciation charge	-	2,407	-	4,939
Transfers	-	-	-	-
Impairment	-	-	-	-
Disposals	-	(940)	-	(893)
Balance as at 30 June 2009	-	12,107	-	42,721
Net book value at 30 June 2009	12,429	34,499	-	16,468
Parent in thousands of New Zealand dollars				
Cost				
Balance at 1 July 2007	12,429	41,781	-	47,117
Additions	-	1,153	-	7,460
Transfers	-	(566)	-	-
Disposals	-	(23)	-	(903)
Balance at 30 June 2008	12,429	42,346	-	53,674
Accumulated depreciation and impairment losses				
Balance at 1 July 2007	-	8,924	-	35,561
Depreciation charge	-	2,153	-	3,995
Transfers	-	(459)	-	-
Impairment	-	45	-	6
Disposals	-	(23)	-	(890)
Balance as at 30 June 2008	-	10,640	-	38,673
Net book value at 30 June 2008	12,429	31,705	-	15,001

Electronic data processing equipment	Office equipment	Furniture & fittings	Motor vehicles	Small boats	Work in progress	Total
16,525	7,193	2,215	3,569	1,786	2,133	167,425
2,388	1,393	32	711	309	1,829	20,770
(1,938)	(735)	(27)	(539)	(64)	-	(5,066)
(11)	(5)	(4)	(2)	-	-	(30)
16,964	7,846	2,216	3,739	2,031	3,962	183,099
15,145	6,696	1,914	2,607	1,228	-	92,387
1,518	874	67	442	172	-	11,555
-	-	-	-	-	-	-
(1,955)	(739)	(52)	(487)	(61)	-	(5,130)
14,708	6,831	1,929	2,562	1,339	-	98,812
2,256	1,015	287	1,177	692	3,962	84,287
Electronic data processing equipment	Office equipment	Furniture & fittings	Motor vehicles	Small boats	Work in progress	Total
16,020	6,770	1,961	3,416	1,439	604	156,699
1,315	579	265	498	362	1,529	13,527
11	3	(17)	2	-	-	(549)
(829)	(159)	-	(348)	(16)	-	(2,279)
8	2	6	1	-	-	24
16,525	7,193	2,215	3,569	1,786	2,133	167,425
14,641	6,331	1,860	2,478	1,145	-	85,363
1,303	525	54	473	100	-	9,663
-	-	-	-	-	-	51
-	-	-	-	-	-	(459)
(798)	(159)	-	(344)	(17)	-	(2,231)
15,145	6,696	1,914	2,607	1,228	-	92,387
1,380	497	301	962	558	2,133	75,038
Electronic data processing equipment	Office equipment	Furniture & fittings	Motor vehicles	Small boats	Work in progress	Total
15,259	6,884	1,780	3,418	1,537	1,513	138,840
1,374	1,377	30	637	309	(819)	14,515
-	-	-	-	-	-	-
(1,952)	(740)	(53)	(450)	(61)	-	(5,088)
14,681	7,521	1,757	3,605	1,785	694	148,267
13,947	6,483	1,501	2,495	998	-	74,739
1,156	835	59	424	165	-	9,985
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,950)	(741)	(53)	(450)	(61)	-	(5,088)
13,153	6,577	1,507	2,469	1,102	-	79,636
1,528	944	250	1,136	683	694	68,631
Electronic data processing equipment	Office equipment	Furniture & fittings	Motor vehicles	Small boats	Work in progress	Total
14,792	6,479	1,534	3,298	1,191	606	129,227
1,296	564	246	468	362	907	12,455
-	-	-	-	-	-	(566)
(829)	(159)	-	(348)	(16)	-	(2,276)
15,259	6,884	1,780	3,418	1,537	1,513	138,840
13,553	6,163	1,458	2,375	925	-	68,959
1,222	480	43	464	91	-	8,447
-	-	-	-	-	-	(459)
-	-	-	-	-	-	51
(827)	(159)	-	(344)	(17)	-	(2,259)
13,947	6,483	1,501	2,495	998	-	74,739
1,312	401	279	923	537	1,513	64,101

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as at 30 June 2009

15. Property, plant, and equipment (continued)

The opening net book value for the Group at 1 July 2008 was \$75,038k.

The opening net book value for the Parent at 1 July 2008 was \$64,101k.

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

Assets held for sale

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Property	–	107	–	107
Total	–	107	–	107

Property was reclassified from property, plant, and equipment to assets held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as completed within one year from the date of classification.

15a. Vessels

As agreed with the shareholders, an amount has been identified within the Group for any shortfall between the current insured value of \$40 million and the estimated replacement cost of RV *Tangaroa*, in the event of the loss of that vessel. This has not been provided for in the statement of financial position.

16. 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 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 reporting purposes.

17. Identifiable intangibles

Group

in thousands of New Zealand dollars	Software	Copyrights	Total
Cost			
Balance as at 1 July 2008	5,067	215	5,282
Additions	417	-	417
Disposals	(92)	-	(92)
Currency movements	-	-	-
Balance as at 30 June 2009	5,392	215	5,607
Accumulated amortisation and impairment losses			
Balance as at 1 July 2008	5,067	128	5,195
Amortisation	417	48	465
Impairment	-	-	-
Disposals	(92)	-	(92)
Currency movements	-	2	2
Balance as at 30 June 2009	5,392	178	5,570
Net book value at 30 June 2009	-	37	37

The opening net book value at 1 July 2008 was \$87k.

Group

in thousands of New Zealand dollars	Software	Copyrights	Total
Cost			
Balance as at 1 July 2007	4,775	165	4,940
Additions	408	50	458
Disposals	(116)	-	(116)
Currency movements	-	-	-
Balance as at 30 June 2008	5,067	215	5,282
Accumulated amortisation and impairment losses			
Balance as at 1 July 2007	4,775	96	4,871
Amortisation	408	40	448
Impairment	-	-	-
Disposals	(116)	-	(116)
Currency movements	-	(8)	(8)
Balance as at 30 June 2008	5,067	128	5,195
Net book value at 30 June 2008	-	87	87

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as at 30 June 2009

17. Identifiable intangibles (continued)

Parent

in thousands of New Zealand dollars	Software	Copyrights	Total
Cost			
Balance as at 1 July 2008	4,769	–	4,769
Additions	417	–	417
Disposals	(92)	–	(92)
Currency movements	–	–	–
Balance as at 30 June 2009	5,094	–	5,094
Accumulated amortisation and impairment losses			
Balance as at 1 July 2008	4,769	–	4,769
Amortisation	417	–	417
Impairment	–	–	–
Disposals	(92)	–	(92)
Currency movements	–	–	–
Balance as at 30 June 2009	5,094	–	5,094
Net book value at 30 June 2009	–	–	–

The opening net book value at 1 July 2008 was Nil.

Parent

in thousands of New Zealand dollars	Software	Copyrights	Total
Cost			
Balance as at 1 July 2007	4,575	–	4,575
Additions	311	–	311
Disposals	(117)	–	(117)
Currency movements	–	–	–
Balance as at 30 June 2008	4,769	–	4,769
Accumulated amortisation and impairment losses			
Balance as at 1 July 2007	4,575	–	4,575
Amortisation	311	–	311
Impairment	–	–	–
Disposals	(117)	–	(117)
Currency movements	–	–	–
Balance as at 30 June 2008	4,769	–	4,769
Net book value at 30 June 2008	–	–	–

18. Receivables

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Trade receivables	18,786	20,049	18,505	19,159
Provision for doubtful debts	(1)	(10)	(1)	(10)
Total	18,785	20,039	18,504	19,159
Classified as:				
Non-current	314	335	314	335
Current	18,471	19,704	18,190	18,824
	18,785	20,039	18,504	19,159

Included in the Group's trade receivables balance at the end of the year is one debtor's balance which equates to 37% (2008: 35%) of the total trade receivables balance. Contracts with a Crown owned debtor specify retentions are held on each invoice until the individual contracts are complete, which can take up to 5 years. The non-current component of receivables relates to the long-term portion of these contract retentions.

A large proportion of the Group's commercial customers are from central, local government, and private sectors which the Group considers to be low credit risk associated with them.

Before accepting a new customer, a credit check is undertaken when deemed appropriate to ensure validity of the customer before any service or goods are provided to 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 \$1,135k (2008: \$1,203k) which are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable. The Group does not hold any collateral over past due or impaired balances.

Included in the Parent's trade receivable balance are debtors with a carrying amount of \$1,123k (2008: \$1,198k) which are past due at the reporting date for which the Parent has not provided as the amounts are still considered recoverable. The Parent does not hold any collateral over past due or impaired balances.

The below balances indicate the past due receivables which have not been provided for as the amounts are still recoverable. The balances below exclude the Crown owned debtor who has a significant amount owing to the Group as indicated above for which management consider there is low credit risk.

Ageing past due but not impaired trade receivables

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Between 60 and 90 days	158	325	157	325
Between 91 and 180 days	735	725	724	720
Over 181 days	242	153	242	153
	1,135	1,203	1,123	1,198

Included in the provision for doubtful debts are individually selected debtors \$1k (2008: \$10k) for the Group and the Parent which are unlikely to be recoverable and were all over 181 days overdue. The provision recognises the difference between the carrying amount of these trade receivables and the expected recoverable amount. The net carrying amount is considered to approximate their fair value.

Movement in the provision for doubtful debts

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Balance at the beginning of the year	10	58	10	58
Impairment loss recognised	-	-	-	-
Impairment losses reversed	-	-	-	-
Amounts written off as uncollectible	-	(35)	-	(35)
Amounts recovered during the year	(9)	(13)	(9)	(13)
	1	10	1	10

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19. Inventory

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Consumables	659	1,054	22	-
Finished goods	1,532	1,139	1,145	948
Work in progress	73	300	28	216
Total	2,264	2,493	1,195	1,164

Inventories are not pledged as security for liabilities, nor are any inventories subject to retention of title clauses.

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

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Profit for the period	6,016	10,061	4,119	8,427
Add/(less) items classified as investing activities				
Net loss/(gain) on disposal of property, plant, & equipment	(193)	(21)	(190)	(76)
Net loss/(gain) on disposal of associate	-	97	-	-
	(193)	76	(190)	(76)
Add/(less) non-cash items				
Share of associate's (profit)/deficit for the year	-	(38)	-	-
Depreciation and impairment	11,555	9,714	9,985	8,498
(Surplus)/deficit attributable to minority interests	(18)	(60)	-	-
Amortisation of identifiable intangibles	464	448	417	311
Unrealised changes in the value of subsidiaries	23	57	-	-
(Gain)/loss on foreign currency cash held	(150)	(40)	(150)	(9)
Increase/(decrease) in employee entitlements	(86)	(116)	(87)	(110)
Increase/(decrease) in deferred tax liability	66	(948)	118	(766)
	11,854	9,017	10,283	7,924
Add/(less) movements in working capital items				
Increase/(decrease) in payables and accruals	390	862	(426)	1,174
Increase/(decrease) in employee entitlements	308	(1,364)	117	(1,252)
(Increase)/decrease in receivables and prepayments	883	(559)	269	(300)
(Increase)/decrease in inventory and uninvoiced receivables	14	136	(251)	299
(Increase)/decrease in taxation receivable	259	431	605	297
	1,854	(494)	314	218
Net cash flows from operating activities	19,531	18,702	14,526	16,493

21. Investments

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Investment in subsidiaries	-	-	12,709	12,709
	-	-	12,709	12,709

Investments in subsidiaries

Name	Principal activities	Ownership and voting interest	
		2009 %	2008 %
NIWA Vessel Management Ltd	Vessel charters for scientific research	100	100
NIWA Australia Pty Ltd	Scientific research and consultancy services	100	100
NIWA Environmental Research Institute	Scientific research and consultancy services	100	100
Unidata Pty Ltd	Supplier of environmental technology products	80	80
NIWA Natural Solutions Ltd	Non-trading shell company	100	-
EcoConnect Ltd	Non-trading shell company	100	100

All subsidiaries have a balance date of 30 June.

NIWA Vessel Management Ltd, NIWA Natural Solutions Ltd, and EcoConnect Ltd are the only subsidiaries incorporated in New Zealand. NIWA Australia Pty Ltd and Unidata Pty Ltd are incorporated in Australia. NIWA Environmental Research Institute is incorporated in the USA.

Investments in associate, equity accounted

The NIWA Group acquired 50% ownership in CRL Energy Ltd on 1 April 2006. This was incorporated in New Zealand with the principal activity being energy and environmental research.

The Group's share of profit in the equity accounted associate for the year was Nil (2008: \$38k).

CRL Energy Ltd was sold on 30 June 2008.

Movements in the carrying value of equity accounted associate

in thousands of New Zealand dollars	Group 2009	Group 2008
Balance at 1 July	-	559
Share of profit/(loss)	-	38
Sale of CRL Energy Ltd	-	(500)
(Loss)/ gain on sale	-	(97)
Balance at 30 June	-	-

22. Intercompany

in thousands of New Zealand dollars	Parent 2009	Parent 2008
NIWA non-current liability	8,875	10,884

An amount of \$9.9 million is held by the parent company (NIWA) on behalf of NIWA Vessel Management Ltd. This is consistent with the Group policy that all surplus funds are managed by NIWA. This amount is offset by parent company receivables and advances to NIWA Australia Pty Ltd of \$211k, NIWA Environmental Research Institute of \$28k, and Unidata Pty Ltd of \$801k, resulting in a net non-current liability of \$8.9 million. All balances are unsecured, have no set repayment terms and are payable upon demand, but are not expected to be repaid within one year of balance date. The balances are not subject to interest.

During the year NIWA contracted vessel charters from its subsidiary NIWA Vessel Management Ltd totalling \$8.7 million (2008: \$9.1 million) and purchased workshop services totalling \$41k (2008: \$153k). NIWA Vessel Management Ltd contracted services from its parent, NIWA Science, totalling \$25k (2008: \$582k).

During the year NIWA contracted scientific research from its subsidiary NIWA Australia Pty Ltd totalling Nil (2008: Nil) and provided research services to NIWA Australia Pty Ltd of \$12k (2008: \$304k).

NIWA earned revenue of \$21k (2008: \$43k) from research subcontracts with NIWA Environmental Research Institute.

NIWA charged its subsidiaries for administration expenses and management services totalling \$1.0 million for the financial year (2008: \$1.0 million).

There were no other significant transactions between any of the companies in the Group.

25a. Business segments

in thousands of New Zealand dollars	Research		Vessel Charter		Product sales and services		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External revenue	109,467	105,807	4,794	9,439	5,843	4,757	-	-	119,948	119,985
Inter-segment revenue	-	-	8,730	8,730	460	451	(9,190)	(9,181)	-	-
Total segment revenue	109,155	105,771	13,524	18,169	6,303	5,208	(9,190)	(9,181)	119,948	119,985
Depreciation	9,985	8,400	1,543	1,279	27	35	-	-	11,555	9,714
Amortisation	416	311	-	98	48	39	-	-	464	448
Impairment loss	-	51	-	-	-	-	-	-	-	51
Segment result	43,241	49,035	4,230	6,788	2,341	865	(9,624)	(10,644)	40,189	46,045
Unallocated revenue									156	18
Unallocated expenses									(31,594)	(32,398)
Net finance costs									455	662
Income tax expense									(3,039)	(4,214)
Profit (loss) for the period									6,011	10,095
Segment assets	87,629	87,108	25,895	23,611	1,900	2,973	-	-	115,425	113,693
Segment liabilities	25,801	24,919	3,222	2,935	1,744	1,566	-	-	30,767	29,420
Capital expenditure	14,932	12,766	6,226	1,170	29	49	-	-	21,187	13,985

25b. Geographical segments

Segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

in thousands of New Zealand dollars	New Zealand		Australia		United States of America		Other regions		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	114,632	110,076	1,984	6,800	2,219	1,253	957	1,838	119,792	119,967
Segment assets	114,583	112,065	744	1,964	97	78	-	-	115,425	113,693

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26. Financial instruments

Capital management

The Group has externally imposed requirements 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.

Specifically the Shareholding Ministers expect the targeted CCMAU return on equity to be 9.0%. The Ministers have indicated that the target is to be delivered as a long-term average due to the potential cyclical profitability that can be involved in research outputs.

The Group has historically met the targeted adjusted return on equity each year. This year return on equity has decreased from 17.9% to 9.8%. The long-term average is expected to remain constant and above the required 9.0%.

The Group's policy is to maintain a strong capital base so as to maintain investor 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.

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

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with valuation techniques based on discounted cash flow analysis using prices from observable recent market transactions, or dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

The short term advance facility available from Westpac is subject to two covenants:

Equity ratio – Maintain shareholders funds of not less than 40.0% of adjusted tangible assets, and

Interest cover ratio – Ensure that earnings for each financial year are not less than 3.00 times its consolidated funding costs in the financial year.

The carrying value of financial instruments approximates fair value as all material financial instruments, which are not measured at fair value are current with the exception for the Intercompany balances that have a carrying value of \$8,875k (2008: \$10,884k) and a fair value of \$6,673k (2008: \$5,041k).

Categories of financial instruments

Group

in thousands of New Zealand dollars	Note	Loans and receivables	Financial liabilities at amortised cost	Total
Balance at 30 June 2009				
Assets				
Cash and cash equivalents		3,099	–	
Trade receivables	18	18,786	–	
Investments	21	–	–	
Uninvoiced receivables	26	4,686	–	
Total financial assets		26,571	–	26,571
Total non-financial assets				88,854
Total assets				115,425
Liabilities				
Trade payables	13	–	10,580	
Unsecured loans	10	–	260	
Short-term loan facility	14	–	650	
Intercompany	22	–	–	
Employee entitlements	11	–	8,641	
Total financial liabilities		–	20,131	20,131
Total non-financial liabilities				10,636
Total liabilities				30,767

Group

in thousands of New Zealand dollars	Note	Loans and receivables	Financial liabilities at amortised cost	Total
Balance at 30 June 2008				
Assets				
Cash and cash equivalents		9,303	-	
Trade receivables	18	20,039	-	
Investments	21	-	-	
Uninvoiced receivables	26	4,471	-	
Total financial assets		33,813	-	33,813
Total non-financial assets				79,880
Total assets				113,693
Liabilities				
Trade payables	13	-	10,221	
Unsecured loans	10	-	241	
Intercompany	22	-	-	
Employee entitlements	11	-	8,419	
Total financial liabilities		-	18,881	18,881
Total non-financial liabilities				10,539
Total liabilities				29,420

Parent

in thousands of New Zealand dollars	Note	Loans and receivables	Financial liabilities at amortised cost	Investment in subsidiary accounted for at cost	Total
Balance at 30 June 2009					
Assets					
Cash and cash equivalents		2,094	-	-	
Trade receivables	18	18,505	-	-	
Investments	21	-	-	12,709	
Uninvoiced receivables	26	4,686	-	-	
Total financial assets		25,285	-	12,709	37,994
Total non-financial assets					72,218
Total assets					110,212
Liabilities					
Trade payables	13	-	9,113	-	
Short term loan facility	14	-	650	-	
Intercompany	22	-	8,875	-	
Employee entitlements	11	-	7,871	-	
Total financial liabilities		-	26,509	-	26,509
Total non-financial liabilities					9,309
Total liabilities					35,818

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2009

26. Financial instruments (continued)

in thousands of New Zealand dollars	Note	Loans and receivables	Financial liabilities at amortised cost	Investment in subsidiary accounted for at cost	Total
Balance at 30 June 2008					
Assets					
Cash and cash equivalents		9,060	–	–	
Trade receivables	18	19,149	–	–	
Investments	21	–	–	12,709	
Uninvoiced receivables	26	4,466	–	–	
Total financial assets		32,675	–	12,709	45,384
Total non-financial assets					67,997
Total assets					113,381
Liabilities					
Trade payables	13	–	9,531	–	
Intercompany	22	–	10,884	–	
Employee entitlements	11	–	7,843	–	
Total financial liabilities		–	28,258	–	28,258
Total non-financial liabilities					9,199
Total liabilities					37,457

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 and transactions with financial institutions (cash and short-term deposits).

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 trade receivables counterparts dealt with.

There are no significant concentrations of credit risk. The maximum exposure to credit risk is \$26,570k (total exposed to credit risk, which is cash and cash equivalents \$3,099k; uninvoiced receivables \$4,686k; and trade receivables net of provisions \$18,786).

Note 18, (Receivables and prepayments) includes further analysis of the trade receivables.

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 for trade and other receivables by geographic regions is as follows:

in thousands of New Zealand dollars	Group 2009	Group 2008
New Zealand	17,889	18,676
Australia	290	731
USA	63	199
United Kingdom	56	11
Other European countries	102	72
Other Asia Pacific countries	19	241
Other regions	367	119
Provision for doubtful debts	(1)	(10)
Trade receivables	18,785	20,039

The amount of revenue unbilled at balance date is represented by 'uninvoiced receivables', which is stated at the proportion to the stage of completion in the statement of financial position. Once this balance is invoiced it is transferred to trade debtors. The Group's balance at June 2009 is \$4.7k (2008: \$4.5k) and the parent at June 2009 \$4.7k (2008: \$4.5k). Management believe there are no significant concentrations of risk relating to this balance.

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 cost of borrowing and the return on investments.

The interest rates on the Group's borrowings as at 30 June:	2009	2008
Short term advance facility	3.7%	-

The interest rates on the Group's investments as at 30 June:	2009	2008
Cash (on call)	-	8.2%
Short term deposits	-	8.60% - 8.65%

The directors do not consider there is any significant exposure to interest rate risk on investments. All investments are managed by NIWA on behalf of the Group. NIWA has a regularly reviewed treasury policy in place which ensures the appropriate management of currency and interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 as they arise, unless explicitly authorised otherwise by the Board. To manage these exposures, the Group uses forward foreign exchange contracts. At balance date the Group had no forward foreign exchange arrangements in place (2008: \$nil).

The Groups exposure to foreign currency risk was as follows, based on notional amounts:

in thousands of New Zealand dollars	AUD	EUR	USD	YEN	AUD	EUR	USD	YEN
	30 June 2009				30 June 2008			
Cash balances	996	249	1,095	1	263	12	49	1
Trade receivables	333	43	35	-	898	-	60	-
Trade payables	(247)	(19)	(219)	(1)	(161)	-	-	-
Statement of financial position exposure	1,082	273	911	-	1,000	12	109	1

The following significant exchange rates applied during the year:

NZD	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
AUD	0.8151	0.8579	0.8059	0.7838
USD	0.6079	0.7684	0.6521	0.7535

A 10% strengthening of the NZD against the following currencies at 30 June would have increased (decreased) the profit and the equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

in thousands of New Zealand dollars	Group 2009	Group 2008
AUD	120	111
EUR	30	1
USD	101	12
YEN	-	-

A 10% weakening of the NZD against the above currencies at 30 June would have had approximately an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2009

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.

The following tables detail the Group's and the Parent's contractual maturity analysis. The table has been based upon the earliest date on which the Group and the Parent can be required to pay.

Group

in thousands of New Zealand dollars	On demand	Less than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
As at 30 June 2009					
Trade payables	-	10,580	-	-	10,580
Unsecured loan	-	19	457	-	476
Short term advance facility	-	650	-	-	650
Employee entitlements	-	7,915	726	-	8,641
Total	-	19,164	1,183	-	20,347

in thousands of New Zealand dollars	On demand	Less than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
As at 30 June 2008					
Trade payables	-	10,221	-	-	10,221
Unsecured loan	-	19	76	381	476
Short term advance facility	-	-	-	-	-
Employee entitlements	-	7,607	812	-	8,419
Total	-	17,847	888	381	19,116

Parent

in thousands of New Zealand dollars	On demand	Less than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
As at 30 June 2009					
Trade payables	-	9,113	-	-	9,113
Intercompany	8,875	-	-	-	8,875
Short term advance facility	-	650	-	-	650
Employee entitlements	-	7,233	638	-	7,871
Total	8,875	16,996	638	-	26,509

in thousands of New Zealand dollars	On demand	Less than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
As at 30 June 2008					
Trade payables	-	9,531	-	-	9,531
Intercompany	10,884	-	-	-	10,884
Short term advance facility	-	-	-	-	-
Employee entitlements	-	7,118	725	-	7,843
Total	10,884	16,649	725	-	28,258

Financing facilities

The Group has access to financing facilities; the total amount uncalled and available is \$4.9 million (2008: \$4.0 million) at the balance date. \$0.65 million was drawn down at 30 June 2009. The uncalled and available amount of \$4.9 million relates to the undrawn overdraft facility of \$0.5 million and the advance facility of \$4.4 million (2008: \$3.5 million). These facilities are available for the parent company.

27. Commitments

27a. Operating lease arrangements

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Obligations payable after balance date on non-cancellable operating leases:				
Within 1 year	1,552	1,439	1,466	1,358
Between 1 and 2 years	1,835	1,448	1,835	1,448
Between 2 and 5 years	4,968	3,980	4,968	3,980
Over 5 years	12,258	4,780	12,258	4,780
	20,613	11,647	20,527	11,566

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

27b. Capital commitments

in thousands of New Zealand dollars	Group 2009	Group 2008	Parent 2009	Parent 2008
Commitments for future capital expenditure:				
Contracted, but not provided for	1,670	98	532	98
	1,670	98	532	98

28. Contingent liabilities

There are no material contingent liabilities that were identified during the normal course of activities (2008: Nil).

29. Subsequent events

Subsequent to balance date, two contracts totalling \$3,533k were entered into for modifications to RV *Tangaroa* (2008: Nil).

AUDIT REPORT

TO THE READERS OF

NATIONAL INSTITUTE OF WATER & ATMOSPHERIC RESEARCH LIMITED AND GROUP'S FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of National Institute of Water & Atmospheric Research Limited (the company) and group. The Auditor-General has appointed me, Andrew Dick, using the staff and resources of Deloitte to carry out the audit of the financial statements of the company and group for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

The financial statements of the company and group on pages 32 to 59:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of:
 - the company and group's financial position as at 30 June 2009; and
 - the results of operations and cash flows for the year ended on that date.

Based on our examination the company and group kept proper accounting records.

The audit was completed on 28 August 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2009 and the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Research Institutes Act 1992.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Andrew Dick
Deloitte
On behalf of the Auditor-General
Auckland, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of the National Institute of Water & Atmospheric Research Limited and group for the year ended 30 June 2009 included on the National Institute of Water & Atmospheric Research Limited's website. The National Institute of Water & Atmospheric Research Limited's Board of Directors is responsible for the maintenance and integrity of the National Institute of Water & Atmospheric Research Limited's website. We have not been engaged to report on the integrity of the National Institute of Water & Atmospheric Research Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 August 2009 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

DIRECTORY

National Institute of Water & Atmospheric Research Ltd

Directors

Christopher Mace (Chairman)
(appointed 1 July 2009)

Craig Ellison (Deputy Chairman)

Ed Johnson

Dr Wendy Lawson (reappointed 1 July 2009)

Dennis Cairns (appointed 1 July 2008)

Helen Robinson (appointed 1 July 2008)

Jason Shoebridge (appointed 1 July 2009)

Sue Suckling (Chair) (resigned 30 June 2009)

Dr Graham Hill (resigned 30 June 2009)

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National Institute of Water & Atmospheric Research Ltd

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