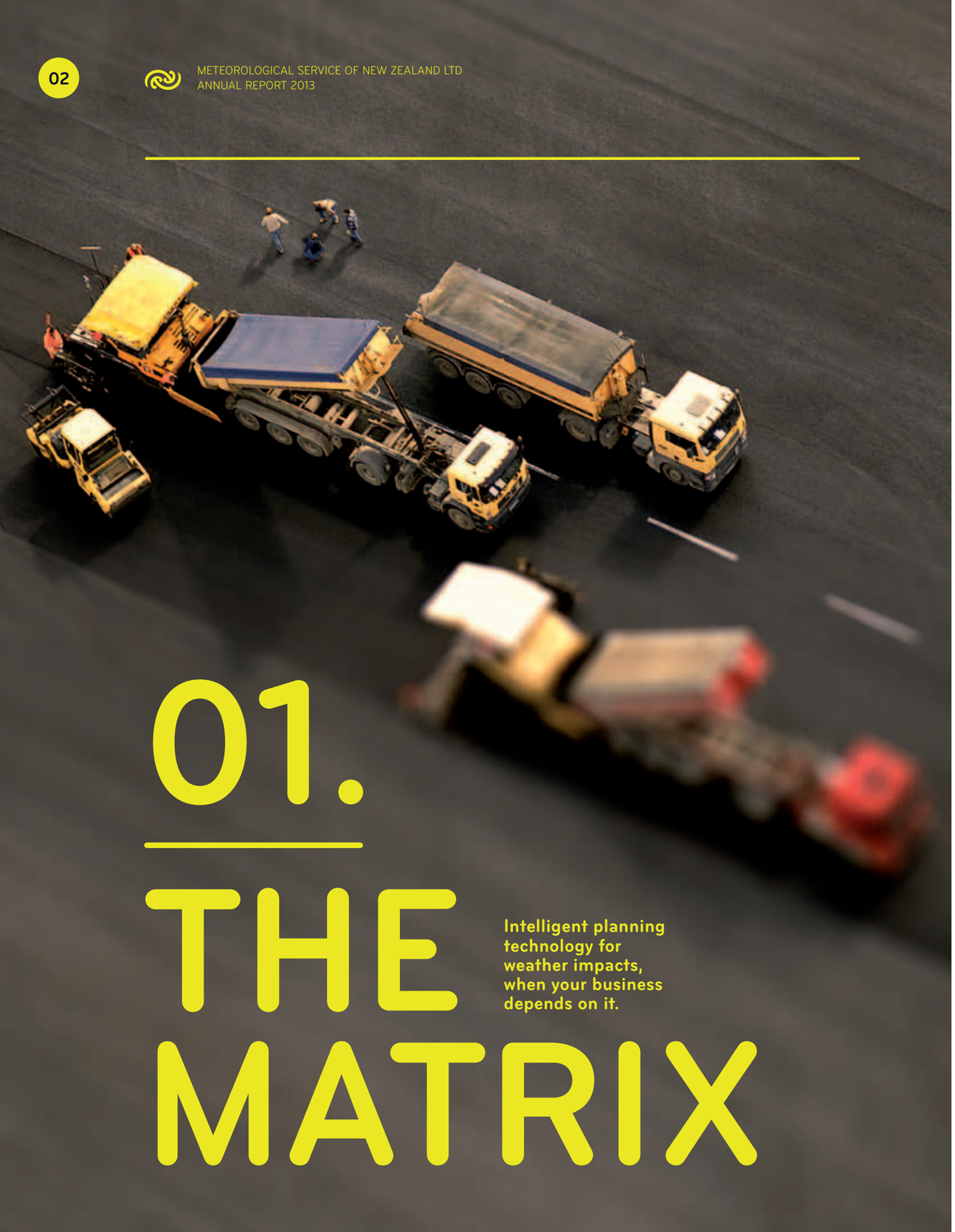
ANNUAL
REPORT 2013

MetService MetraWeather

IN AN INFORMATION AGE, TECHNOLOGY MAKES THE WORLD A SMALLER PLACE. BUT WE BELIEVE THAT, EVEN IN A SMALL WORLD, YOU CAN DO BIG THINGS.

USING TECHNOLOGY TO HARNESS HUMAN INTELLECT AND INNOVATION: WE CALL IT 'POWERFUL WEATHER INTELLIGENCE'.



01.
THE MATRIX

Intelligent planning technology for weather impacts, when your business depends on it.

It all started with a question from a customer: "how do we help our road maintenance crews plan more efficiently around the weather?". A straight shooting question, and one that required us to combine layers of information to be delivered in a simple, usable format that gave crews the answers they needed. The Matrix was born.

We had already built an award-winning, national road weather station network with NZTA, but there were still a number of roads around the country without advanced thermal mapping and road environment forecasting to assist with winter road maintenance. We created a team to research best practice overseas then set about creating a New Zealand solution to match our unique environment and roading system.

In a nutshell, the Weather Threat Matrix identifies a tailored set of weather parameters that are known to impact on a customer's operations. While many of our customers take an active interest in weather and fully understand and appreciate just how much of an impact it can have on their assets and operations, most of them are not meteorologists – and it's their front-line operational teams that really need to know the answers.

We work closely with our customers to understand their business and objectives. What weather conditions and industry-derived weather impacts were the triggers for success or failure in day to day operations? What were the parameters and thresholds for each of these that make the difference between success and failure? How could these be described in simple, operational terms to assist with quick and confident decision-making out in the field?

The data and technology behind it is multi-faceted, but The Matrix itself is very simple to translate and action. When it shows a sea of green, users know the weather will not be a player in their operational activities for the week ahead. They can then go ahead with business as usual activities and schedule maintenance with confidence. A more colourful matrix means one or more of those success/failure triggers are forecast, so they know they're in for a busy week and can plan accordingly. In most cases, they also have access to more detailed information through MetConnect – MetService's tailored weather information portal.

"In a nutshell, the Weather Threat Matrix identifies a tailored set of weather parameters that are known to impact on a customer's operations."

While The Matrix was initially developed for roading, we have also developed specialised weather threat matrices for customers in industries as diverse as road marking, energy and gas distribution and offshore oil exploration. Wherever businesses have assets and operations in the outdoors, the impacts of our constantly changing weather can be assessed and immediately planned for with The Matrix.

02.

GO SNOW

Early warning technology enables quicker, more effective preparation and response.

Snow. Skiers and kids (big and small) love it, but it can cause havoc on the roads and nightmares for our farmers and others involved in off-mountain outdoor activities. Accurate snow forecasts – where and how low it's going to fall and how much will accumulate over what period – are crucial decision-making tools, whether you're planning a trip to the slopes or wondering whether to move stock to shelter.

Storm type is a major influence on snowfall type. Beyond this, there are a lot of cloud physics behind forecasting of snowfall: the rate and nature of the precipitation; the near-ground distribution of temperature, moisture and wind flow; the nature of the ground surface itself; and so on. Before the onset of New Zealand's winter in 2013, two meteorologists from our Severe Weather Team refined the algorithms used by MetService's weather modelling systems for the forecasting of snow, and trained colleagues in how to apply them.

At the end of June 2013 we saw large snowfalls to low levels over the east of the South Island of New Zealand. Our refined approach to snow forecasting enabled us to produce early and accurate forecasts that made a significant difference, particularly for farmers. They were able to prepare earlier, with plenty of time to move stock before snow fell, meaning stock losses and other negative impacts were minimised.

Bad weather affects everything of course, so it's also critical to have early warning when it comes to aviation weather hazards – to assist that we have enhanced our forecasting with technology using enhanced satellite imagery and data.

A recently-installed polar orbiting satellite receiving dish has given us faster access to more satellite data than ever before. Combined with sharper identification tools and data from our own rain radars, this means better detection of airborne volcanic ash, improved detection of low cloud and fog, and more robust analysis of severe weather.

And when severe weather does strike, it's vital emergency managers have the best possible information at their fingertips to prepare for and manage its effects. MetService has developed a new storm monitoring tool, now operational with Auckland Civil Defence, which uses data from rain radar and gauges to give near real-time visibility of rainfall impact across the region.

"Our refined approach to snow forecasting enabled us to produce early and accurate forecasts that made a significant difference."

Being able to pinpoint where heavy rain is likely to fall, and how much has already fallen, enables emergency management resources to move early into places most likely to flood. With a level of detail and immediacy that's a first for New Zealand, the tool has the potential to dramatically improve response efforts.

We believe every investment we make in technology, results in a better forecast for our customers.

03. POWER UP

Harnessing cloud technology to boost the power of our customers and our team.

Excessive heat or bitter cold can have huge impacts on the way our days unfold. It affects what we do, where we go and how much we rely on energy to escape the effects of the weather. Across the globe, weather is one of the main drivers in the demand for and supply of energy, not to mention one of the most unpredictable. Just one degree of temperature change can trigger a huge increase in demand as air conditioners or gas heaters are switched on.

Weather dictates not only how much electricity is needed, but also how much can be produced and transmitted. Wind, solar and even thermal generation capacity are affected by ambient temperatures, wind speeds, cloud cover, pressure and humidity. MetService's ePD Enhanced Probability Distribution forecasting system is a key tool to assist energy companies plan for weather impacts.

The ePD system analyses over 100 different weather models to extract, combine and place the correct emphasis on the different strengths of the best models before producing its forecast. In addition, the scientists behind the ePD system are continually refining the proprietary models used to power the system, to deliver the most accurate forecasts possible.

This all takes a huge amount of computing power. MetService's Forecast Research team uses Amazon cloud capacity to provide processing power for the model enhancement work. It has been a factor in achieving significant gains in automated forecast accuracy. Hourly temperature forecast improvements for Australia and UK/EU implemented this year achieved some of the best results since monitoring began in 2010.

Another area of expansion 'in the cloud' for MetService is cloud-based delivery of weather data. This means wherever in the world our customers are based, MetService can be their local weather provider. Overcoming the 'tyranny of distance' is particularly important in markets such as energy trading, where MetService must match and exceed the network speed and reliability of incumbent competitors.

"MetService's Forecast Research team uses Amazon cloud capacity to provide processing power for the model enhancement work. It has been a factor in achieving significant gains in automated forecast accuracy."

Similar benefits are also driving an internal strategy around 'infrastructure in the cloud', looking at how MetService's wider technology requirements can be delivered more effectively and robustly using cloud computing, including storage and software-as-a-service. The ability for staff located in offices across the world to work together more efficiently will be a key part in our future growth.

By embracing all the possibilities of the cloud, everyone benefits from the enhanced power of computing and forecast accuracy.

04.

INFLIGHT IQ

Using technology to fast-track accurate information and results for customers.

The only thing certain about the weather is that it's going to change – so keeping airlines and airports operating efficiently and safely around the clock requires a lot of weather information analysis. It's particularly vital that pilots are absolutely up to date with weather changes that could affect their flying and landing conditions.

Many airlines are introducing new technology into the cockpit to help pilots deal with the vast amount of information they need to process during each flight. One of the more simple and effective advancements has been the use of mobile devices such as tablets to access key information. To leverage this, our developers looked at the information being provided through our WeatherTrakII weather management system, and developed an iPad app that could display and update information in a compact, user-friendly format.

"The new system is attracting overseas interest for its innovative approach to providing valuable observations for aviation forecasting and flight operations."

WeatherTrakII is a web-based real time aviation weather information and weather management system. It also ingests airline flight schedules so that a complete pre-flight MET briefing package can be scheduled and delivered electronically to wherever it's needed. Pilots normally receive pre-flight MET print-outs from this system – by adding printed QR codes to these packages, pilots can now simply scan the code using the new WeatherTrakII Mobile Wx iPad app. QR code technology enables individual MET packages to be uniquely identified for individual flights, so the pilot receives the correct up-to-date MET information there and then.

When connected to cellular networks or Wi-Fi, the new app continuously updates packages with the latest available data. This means pilots have the very latest weather updates displayed in a format developed specifically to meet airline specifications, right at their fingertips when they need it.

Another MetService innovation that's bringing a landmark change to New Zealand's international airports is the introduction of automated aviation weather observations – AUTO METARs. The new system is also attracting overseas interest for its innovative approach to providing valuable observations for aviation forecasting and flight operations.

The new automation system includes features designed to ensure high quality and reliability. Duplicate weather stations at each airport provide complete redundancy, right down to individual sensor level, along with four independent communications paths to ensure continuous operation. A new 'present weather quality control' algorithm compares sensor reports with other observations and refines the reports where necessary. Data from the lightning detection network adds further refinement whenever thunderstorms occur at or near airports.

The new system enables AUTO METARs to be delivered twice as often, and eliminates the possibility of missed observations. Consistent, standardised formatting fits seamlessly with the trend towards more automated data delivery to aircraft cockpits – and delivers a new standard of observations reporting. One minute updates of 'actual' airport weather enable airlines, air traffic management and airports to constantly monitor changes in weather conditions for approach, landing and take-off.

Changing the game through technology is an integral part of how we deliver accelerated results for our customers.

WHO WE ARE

Our work impacts on almost every aspect of daily life. From the storm warning that safeguards a fishing fleet, to forecasts that help power companies meet demand, to a commuter's decision to wear a coat, MetService is New Zealand's weather authority, 24 hours a day, 365 days a year.

Map of MetService and MetraWeather's international client network

We are a global leader in providing innovative weather information services, contributing to the bottom line of businesses and the wellbeing of millions of people around the world.

We operate as a commercially successful, international organisation with more than 240 employees in New Zealand, Australia, Asia and Europe. As MetService within New Zealand and exporting to the world as MetraWeather, the expertise and research of our team of world-class meteorologists and technologists is at the heart of everything we do. We combine scientific rigour with a drive to create ground-breaking new products and services that redefine the weather industry and create wealth for our customers. We call this delivering 'powerful weather intelligence'.

WHAT WE STAND FOR

An unrelenting approach to accuracy, quality and consistency underpins everything we do – lives and businesses depend on it. Our meteorological expertise and team of dedicated professionals reflect our combination of scientific precision and game-changing, innovative thinking. MetService is a rewarding place to work. We attract talented people from all around the world who share our goals of providing professional meteorological judgement, technologically advanced processes and an agile approach to creating innovative and insightful solutions for our customers. In all our relationships, with our employees, with the environment, the community and our customers, we aim to operate in a socially responsible manner.

WHAT WE DO

MetService provides comprehensive weather information services, 24 hours a day, 365 days a year. Our national weather forecasts are vital to the public and we are constantly enhancing and improving their delivery. We provide ground-breaking products and services that give a competitive edge to local and international businesses in the energy, media, transport, resources, industry, infrastructure and retail sectors.

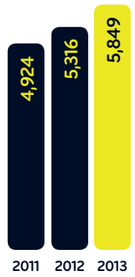
Our services assist:

- Transport authorities and airlines to keep roads safe and planes flying
- Energy providers to ensure power is available to homes and businesses, regardless of the season
- TV broadcasters to produce accurate, visually stunning and easy-to-understand weather bulletins
- Retailers to plan stock levels and logistics ahead of customer demand
- Emergency and civil defence services to stay up to date in times of severe weather
- Regional councils to manage their water resources
- Farmers to plan when to plant and harvest crops and move stock to shelter
- Fishermen, boaties, water sport enthusiasts and divers to stay safe and plan their trips
- Resources companies to manage their planning, monitoring and day-to-day operations
- Builders to plan outdoor work around the weather
- Energy traders to make fast and effective trading decisions ahead of the market
- Sports teams to plan training and game-time tactics
- Reporters to bring you the latest weather news as it happens
- All of us to plan our outdoor, recreational and weekend activities.

KEEPING TABS

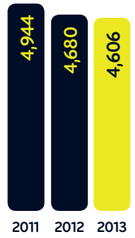
2012/13 has been a challenging year for many of the economies in which we do business. International sales were impacted by these economic conditions, the strong New Zealand dollar and the timing of key contracts in the European market.

Depreciation ($000)



EBITDA ($000)

Operating profit before one-off adjustments ($000)



Book value of assets ($000)

Average daily visitors to metservice.com

Source: Google Analytics

MetService Group revenue increased marginally to $42.3m for 2012/13 up from $42.2m last year. Pleasingly, good cost management has achieved target operating profit at $4.6m for 2012/13; a similar level to last year's pre-adjustment result.

CUSTOMER RELATIONSHIPS DELIVER RESULTS

Despite contraction of new business opportunities in several markets, strong relationships and a real understanding of customer needs has led to successful renewal of many major contracts – key among these being Meridian Energy (energy); BBC, TV5 Philippines and The Radio Network (media); and Air New Zealand and Qantas (aviation).

Contract renegotiations provide an ideal opportunity to discuss potential new ways to deliver 'powerful weather intelligence', and many of our discussions with existing customers have led to new areas of innovation or development in their business – and ours. Some of these are the topic of case studies in this report.

ENERGY & INDUSTRY INNOVATION LEADING THE WAY

Innovative ways of delivering information have paved the way for our continued growth in the Australasian energy and industry sectors. In late 2012, new product delivery platform MetConnect International was launched with Victorian energy distributor SP AusNet as its flagship customer. A new 'embedded forecaster' service was trialled and rolled out with Genesis Energy, and this concept has now been adopted by customers in other industries.

In the first quarter of 2013, a suite of enhanced lightning and rain forecasting products was launched successfully into the Australasian market, featuring uniquely proactive monitoring and forecasting of lightning strikes, rain and rainfall accumulations to aid emergency and operations management – particularly in mining and offshore oil and gas. Esso Australia has become a flagship customer for these new products, which are also receiving a high level of interest from the aviation industry.

Significant gains in automated forecast accuracy were made during the course of the year. Hourly temperature forecast improvements for Australia and UK/EU implemented this year achieved some of the best results since monitoring began in 2010. Successful use of our propriety modelling system in a cloud-computing environment was a key innovation that in part allowed these improvements.

A STRONG FINISH FROM INTERACTIVE

The year started slowly for internet advertising sales, reflecting an industry-wide trend. However, strong viewership of metservice.com supported increased sales into the second quarter, ahead of the site's relaunch in December 2012. This was a significant enhancement, incorporating our new branding, and was designed to provide smarter access to more site information and increase the level of advertising inventory available.

The site refresh helped generate record visits – over 9.5m in December and almost 10.8m in January – and sustained revenues through the February drought and into the popular winter season. Full year sales ended at 12% above the previous year. A total of $157k in advertising value was donated to charities, and mobile device app downloads reached 106,011 (iPad) and 75,462 (smartphone) users as at 30 June 2013.

FORECASTING AND AVIATION CONTINUE STRONG LINKS

Aviation is a constantly-evolving sector and one of extreme importance to MetService. It is very satisfying to be able to deliver significant value to the industry through forecasting enhancements now made possible by the installation of a new polar orbiting satellite receiver at our Wellington office in February 2013. The imagery being received has proved extremely valuable in the timely detection of low cloud and fog, and is also assisting with enhanced analysis of severe weather events.

MEDIA: CONTENT IS THE NAME OF THE GAME

Media is another industry experiencing rapid change. MetService's strength in digital content and weather communication is paving the way for new areas of growth in this market. Our Australasian media business continues to evolve, with existing broadcasting, radio and print customer relationships providing a strong base for new ventures in regional TV, video on demand, digital signage, and further afield.

In Asia, revenue growth of 267% to 14 customers in eight countries since signing our first media contract in Hong Kong in 2010 saw MetraWeather chosen as a finalist in the HSBC NZCTA China Business Awards in May 2013. Significant new customers this year include TVB – Hong Kong's leading free-to-air broadcaster, TDM Macau and CTN Cambodia.

KEY FIGURES

MetService's EBITDA for the 2012/13 year has risen compared with last year: an increase of $2.7m to $10.5m (0.4% above SCI). Net Surplus was $2.7m (11% above SCI).

MetService's Return On Equity was 17.2% for the year (7.4% in 2011/12) and its Return On Funds Employed was 14.5% (7.7% in 2011/12). These figures have both improved on SCI numbers.

Operating Expenses over the year have decreased by 5% to $37.7m, down from $39.8m in 2011/12.

MetService employed 235 full time equivalent employees as at 30 June 2013.

17.2
% Return on Equity 2012/13

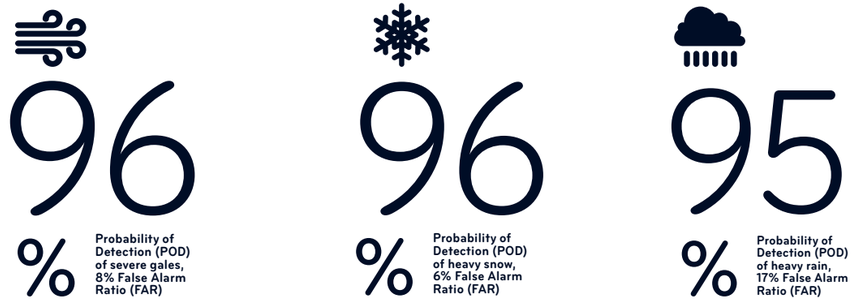
14.5
% Return on Funds Employed 2012/13

75,462
Smartphone app downloads as at 30 June 2013

106,011
iPad app downloads as at 30 June 2013

OUR WRAP-UP

This year we proudly mark 20 years of success with continued investment in both human and systems capabilities. Our website popularity continued to rise against a backdrop of real weather extremes, and our renewed focus on innovation continues to grow the business on the international stage.



20 YEARS OF COMMERCIAL SUCCESS

The year in review marked another major milestone for MetService: 20 years as a State-owned enterprise.

From the first year of commercial operations in 1992, it was clear that change would be a constant at MetService: to meet the needs of our customers, to provide our shareholders with the return they require, and to remain a world leader in meteorology. Throughout this time, the other constant has been the commitment, expertise and enthusiasm of our people – so instrumental in achieving these goals.

Right from the start, the company proved that a national meteorological service could operate as a successful business – a world first. Over the last 20 years, as a result of its commercial contracts MetService has returned over $47.2m in dividends to its shareholders, the New Zealand Government, and reinvested tens of millions back into its business.

ALL-ROUND INVESTMENT IN CAPABILITY

During the year we invested significantly in capability throughout the company. Our Australian and UK offices moved to larger, more centrally-located premises under the new MetraWeather brand. Talented senior forecasters have been appointed in both markets, expanding the range of local consultancy services available to complement our automated prediction services and providing leadership for growing forecasting teams. Ongoing technical infrastructure development supports this growth.

In New Zealand, substantial work has been done on stabilisation of our IT infrastructure, to meet the demands of an exponentially increasing data load. Major pieces of legacy hardware have been replaced and a strategic approach to cloud-based infrastructure is being developed.

During the first quarter, our interim backup site for forecaster operations in Paraparaumu became operational. In addition to regular staff training and deployment drills, including the National ShakeOut earthquake drill in September 2012, the facility was given a comprehensive 'live stress' test for several days after the first of the Seddon/Wellington earthquakes in July 2013. All forecasting, service desk and weather communications functions operated from the site without impacting service delivery to customers, while our Kelburn building was checked and cleared by structural engineers. A few months earlier, forecasting services were established in Auckland, co-located with the Emergency Response Group at Auckland Council. Integrated with MetService's Wellington forecasting team, Auckland capacity will be expanded over time to provide a full 'live' backup facility for essential forecasting services.

WEATHER COMMUNICATION ENGAGEMENT INCREASES

A second communications meteorologist is now on board to boost our proactive media engagement. Demand for media commentary continues to grow, as does public engagement through social media. Increasingly, social media has proved a very potent channel through which to communicate about severe weather and technical issues, with 38% Facebook growth and 15% Twitter growth over the April-June 2013 quarter alone. MetService also featured as the 'business as usual' case study in the Auditor-General's June 2013 report on public entities' use of social media.

The popularity of MetService TV video forecasts continues to increase, with average daily viewership increasing by 360% year on year to end of June 2013; this was a record month for MetService TV, with over 138,000 views – almost half of which were of Severe Weather video forecasts. And no mention of New Zealanders' engagement with weather could be complete without mention of the enormous ongoing popularity of metservice.com. With daily average visits up over 28% on last year and an average of over 17.1m page impressions per month for the year ended 30 June 2013, the website continues to rank as one of the nation's most popular.

Along with the major refresh and rebrand launched in December 2012, the back-end of the site was completely redeveloped to ensure it can handle ever-increasing volumes of visitors and data. A case in point was the month of launch, where the site experienced its highest-ever volume of page impressions – almost 22.6m for the month. However, the value of retaining a robust backup site was demonstrated in June 2013 when the main site experienced a data supply issue and we switched to backup for two days.

Enhancements continue to be made to metservice.com on an ongoing basis, in response to user feedback and to ensure the most relevant information is delivered no matter what the season or weather conditions. The latest of these was the launch of new ski field and DOC-funded mountain forecasts at the end of the year in review.

SIGNIFICANT WEATHER EVENTS

It has been a year of real weather extremes.

The rapid passage of a large deep low across the South Island on 13-14 October, the last weekend of the school holidays, saw many watches and warnings issued for heavy rain and/or strong winds. Strong winds in Auckland lead to significant power outages and property damage. On 6 December, the Hobsonville wind storm that tragically caused three fatalities was an extraordinary event. Although it was widely reported as a tornado, subsequent analysis showed it was a localised wind storm caused by a collapsing thunderstorm. In addition to thunderstorm watches and warnings, situation updates on the metservice.com blog and our Facebook page were used to keep the public informed.

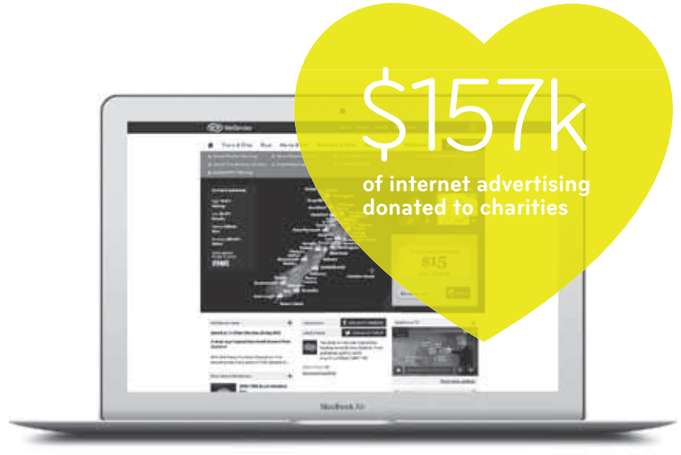
Former tropical cyclone Evan passed not far north of North Cape on 24-25 December. While this system was affecting the islands, Fiji Meteorological Service Special Weather Bulletins were posted on our Facebook page and blog, to help keep worried relatives in New Zealand informed on the situation there. As this system started to head towards New Zealand, along with watches and warnings we began daily blog updates from the Chief Forecaster that continued through until after Christmas Day. These were broadcast via social media and on the front page of our website, and resulted in a record 74,904 visits to the blog that month.

From the last week of January right through February and into March, the whole country experienced a prolonged dry spell. Anticyclones dominated the New Zealand area bringing settled weather to the whole country, and many places had little or no rainfall since early February. In complete contrast, the weekend of 20-21 April saw a thundery trough move across northern and central parts of the country, delivering very high short-term rainfalls in Bay of Plenty and Richmond that resulted in flash flooding and significant property damage.

"Right from the start, the company proved that a national meteorological service could operate as a successful business – a world first.".

The third week of June saw two different severe weather events occur just a few days apart. The first of these brought heavy rain and flooding to parts of Canterbury and Otago. The second event had widespread impact, with large snowfalls to low levels over the east of the South Island and near-record winds around central New Zealand. A new snow forecasting guidance tool developed by members of our Severe Weather team was instrumental in producing early and accurate forecasts; feedback from many farmers was that our forecasting allowed them to prepare early, having a huge mitigating effect on the extent of stock losses.

It is very pleasing to report that the forecasting team have once again achieved an outstanding result against our severe weather forecasting KPIs.



INTERNATIONAL METEOROLOGICAL COMMUNITY INVOLVEMENT

MetService continued to play a leadership role in the activities of the World Meteorological Organization (WMO) in the South Pacific this year, through the South Pacific Severe Weather Forecasting Project which focuses on providing training to improve the ability of national meteorological services to forecast severe weather events, and to communicate more effectively. Our forecasters also provided training at a Workshop on Severe Weather Forecasting and Warning Services in Macao, China in April.

It was a busy year for other international activity: attending the WMO Congress Extraordinary Session in Geneva; the 93rd American Meteorological Society annual meeting in Austin, Texas; the Coastal Inundation Forecasting Demonstration Project (CIFDP) stakeholders workshop in Fiji; representing New Zealand at the 65th meeting of the WMO Executive Council in Geneva; and in June the Chief Meteorologist and the CEO took part in a workshop on strengthening regional and global forecasting centres, sponsored jointly by WMO, the World Bank and US NOAA. MetService was invited to present and participate in two panel sessions.

In December we were also privileged to host a delegation from the Indonesian Meteorological Service (BKMG) at our head office in Wellington.

A NEW PLATFORM FOR FOCUSED INNOVATION

Launched at the end of the previous year in review, our 'Powerful Weather Intelligence' positioning is founded on our unique ability to bring innovative thinking to life as effective operational solutions for our forecasters and our customers. This drive to create better decision-making tools and generate great commercial outcomes is at the heart of our focused growth strategy, a whole-of-business focus encompassing products, markets, infrastructure, communication and branding.

Another major step in our growth strategy took place towards the end of the year in review when we realigned a number of functions within our business around product innovation, to more clearly define product ownership and resource prioritisation across the company's key market sectors.

This move reflects the fundamental importance to the company's growth of stimulating innovation; accountability and delivery; customer knowledge/focus; and positioning ourselves for the longer term.

THE POWER BEHIND METSERVICE

The essence of MetService's success is the 'grey cell soup' of our WMO-qualified meteorologists, mathematicians, engineers, developers, technicians, sales managers, marketers and many others who together create empowering foresight for our customers.

Our international reputation as a world-class national meteorological service enables us to recruit outstanding young meteorologists from around the world, and to 'grow our own' from the cream of New Zealand's maths and physics graduates. Along with six new international hires this financial year, trainees from our 2012 graduate course are now operational in the forecast room, with another course scheduled to begin in February 2014.

We thank our staff, Executive team and Board members for their achievements this year and their ongoing dedication to our success. Our thanks also to David Houldsworth, who completed his term on our Board in October 2012. We welcome new director Carlos da Silva to the MetService family.

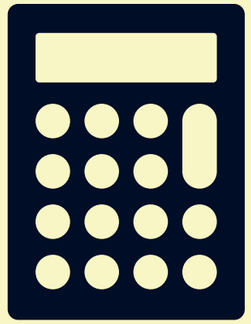
We also congratulate recently-retired Bob McDavitt who was awarded an MNZM in the New Year's Honours List, a fitting tribute to his contribution to weather forecasting and yachting. And we acknowledge the friendship and dedication of two dearly-missed colleagues, Julie Fletcher and Janet Syme, both of whom sadly passed away during the year.

LOOKING AHEAD

There's a lot more to MetService than public weather forecasts. We're an exciting, multi-million dollar business with exceptional staff, contributing to New Zealand's excellent reputation for technical innovation around the world. We have possibly one of the best 'blue-chip' client lists of any company in New Zealand. That's delivering real value to New Zealanders, and that's the very core of our business. We look forward to growing this value over the coming year.

Sarah Smith
Chairman

Peter Lennox
Chief Executive



NUM-BER CRUNCH

10.9% Operating Margin (EBIT) 2012/13

152.8% NPAT Growth 2012/13

11.3% Dividend Payout 2012/13

Corporate Governance Statement

Directors from left: James Koh, Carlos da Silva, Greg Cross, Carolyn Harkess, Sarah Smith, Judy Kirk, Te Taru White.

The Directors are pleased to present MetService's corporate governance statement which provides an overview of the Company's main governance practices.

Business activities

The principal activity of the Company is the provision of weather services in New Zealand and internationally, including data acquisition, forecasts and warnings, dissemination and consultation.

Related activities include the acquisition, processing, interpretation, presentation and dissemination of near real-time non-weather information.

Shareholders

As a State-owned enterprise (SOE), MetService is wholly-owned by the Crown. Two Shareholding Ministers act on behalf of the Crown – the Minister of Finance and the Minister for State Owned Enterprises.

Role of the Board of Directors

Under the Companies Act 1993, the Board is responsible for managing, by or under its direction or supervision, the business and affairs of the Company. This includes responsibility for the Company's strategic direction and oversight of its management, with the ultimate aim of increasing shareholder value. The primary responsibility of the Directors is to exercise their business judgment to act, in good faith, in what they believe to be the best interests of the Company and its shareholders. In meeting its responsibilities, the Board:

- provides leadership and vision to the Company in a way that will enhance shareholder value;
- ensures that appropriate systems and processes are in place so that the business of the Company is conducted in an honest, ethical, responsible and safe manner;
- appoints, manages and monitors the performance of the Chief Executive Officer;
- oversees the overall conduct of the business and ensures that it is being properly managed;
- ensures that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- actively engages in directing and approving the strategic planning of the Company and monitoring the implementation of the strategies by Company management;
- reviews and approves the Company's budgets, business plans and Statement of Corporate Intent, and ensures they meet shareholder requirements;
- sets delegated financial authority levels for the Chief Executive Officer;
- reviews and approves all material acquisitions and divestments, and all capital expenditure exceeding the Chief Executive Officer's delegated financial authority;
- monitors the financial and non-financial performance of the Company against its goals and targets, and ensures the integrity of reporting;
- fosters constructive relationships with the Company's shareholders, and gives due consideration in all of its activities to the Company's stakeholders; and
- conducts itself in such a way that Board meetings and discussion promote focused and open debate within a supportive team atmosphere.

Communication with shareholders

The Board is committed to the 'no surprises' policy adopted by Shareholding Ministers, and proactively advises its shareholders on significant issues on an on-going basis.

Under the State-Owned Enterprises Act 1986 the Company is required to provide Shareholding Ministers with:

- an annual Business Plan and Statement of Corporate Intent outlining the Company's strategic direction and financial projections for the coming three years;
- an annual report including audited financial statements;
- a half-yearly report including unaudited financial statements; and
- quarterly reports outlining financial performance, major achievements and issues of concern.

Composition of the Board

In accordance with the Constitution of the Company, the Board must comprise not less than two, and not more than nine, Directors, who are appointed by the Shareholding Ministers.

Board meetings

The Board meets 12 times per year. Additional meetings are held as required. The annual programme is set by the Board prior to the start of each calendar year. To enable the Board to function effectively, management provides formal Board papers generally a week in advance of meetings. Executive managers are regularly involved in Board discussions and Directors have other opportunities to gain information and advice in relation to the Company and its operations.

Board committees

The Board currently maintains two standing committees: the Audit and Risk Committee and the Remuneration Committee. Other Committees are formed for specific purposes and disbanded as required.

The purposes of the standing committees are as follows:

Audit and Risk Committee

The objective of the Audit and Risk Committee is to assist the Board in discharging its financial reporting and regulatory obligations and ensure that the Company maintains a sustainable Risk Management Programme, incorporating robust processes for identifying and assessing material risks to the Company and establishing risk mitigation strategies. Its main responsibilities are the oversight of the financial audit process, including the assessment of the performance of the Company's financial management, and ensuring compliance with statutory requirements related to finance and risk.

Remuneration Committee

The objective of the Remuneration Committee is to ensure the Company achieves and fulfills the role of a good employer as required by section 4 of the State-Owned Enterprises Act 1986, through the establishment of effective policies and procedures to achieve a skilled, motivated and engaged workforce that will contribute to the successful operation of the Company.

Conflicts of interest

The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business and the requirements of the Companies Act and the State-Owned Enterprises Act.

The Company's Constitution specifies rules regarding the activities of a Director in relation to any transaction in which they have an interest outside of their Board responsibilities. In particular, interested Directors are prohibited from voting on the relevant transaction. Where conflicts of interest do arise, Directors are required to advise the Chair and excuse themselves from the relevant discussions.

The Board maintains a register of interests that is reviewed and updated at each regular Board meeting to ensure that Directors are aware of the existence and nature of all disclosures of interest.

Board performance review and development

The Board regularly reviews its own performance. Individual Directors' views and the collated views of members of the executive management team are sought on Board process, efficiency and effectiveness, and discussed by the Board as a whole.

Results of operations

	2013 $000s	2012 $000s
Net Surplus attributable to Shareholders	2,722	1,077
Interim Dividends Paid	–	–
Final Dividend Paid	506	625
Retained Earnings at Beginning of the Year	9,782	9,330
Retained Earnings at End of Year	11,998	9,782

Changes of capital

There were no changes in capital during the year under review.

Auditor

In accordance with Section 19 of the State-Owned Enterprises Act 1986, the Office of the Auditor-General is the Auditor for the Company. PricewaterhouseCoopers audits Meteorological Service of New Zealand Limited on behalf of the Auditor-General.

During the year, amounts received or due and receivable by PricewaterhouseCoopers NZ were:

- Meteorological Service of New Zealand Limited – Audit $40,200 (2012: $40,000) and Other Services $nil (2012: $12,600).
- Metra Information Limited - Audit $58,600 (2012: $50,000) Other Services $nil (2012: $nil).

Remuneration of employees

The number of employees (not including Directors) whose remuneration and benefits during the accounting period were within the specified band is as follows:

	Number
$100,000 – $109,000	24
$110,000 – $119,000	19
$120,000 – $129,000	9
$130,000 – $139,000	2
$140,000 – $149,000	4
$160,000 – $169,000	1
$170,000 – $179,000	1
$200,000 – $209,000	2
$230,000 – $239,000	1
$380,000 – $390,000	1

Directors

In accordance with the Constitution of the Company, Directors are appointed by the shareholders.

Corporate Governance Statement (cont.)

Directors' remuneration

Directors' remuneration and benefits received, or due and receivable during the accounting period, are as follows (no remuneration was paid to Directors in their capacity as directors of Metra Information Limited).

Sarah Smith (Chairperson)	$46,000
Greg Cross (Deputy Chair)	$28,750
Carlos da Silva	$15,333
Carolyn Harkess	$23,000
David Houldsworth	$7,703
James Koh	$23,000
Judy Kirk	$23,000
Te Taru White	$23,000
Total Directors' Remuneration	**$189,786**

David Houldsworth was replaced by Carlos da Silva in November 2012.

Directors' Interests Register

Sarah Smith	
Verification NZ Ltd	Director
Christchurch City Holdings Limited	Director
Sasco Holdings Limited	Director
Cashel Properties Limited	Director
Devon Chambers Limited	Director
Oxford Estates Limited	Director
EcoCentral Limited	Director
Warren Architectural Trust	Trustee
Ohinetahi Charitable Trust	Trustee
SLI Systems Limited	Director
Greg Cross	
Cross Ventures Ltd	Shareholder/Director
Cross Ventures Investments Ltd	Director
PowerbyProxi Ltd	Shareholder/Executive Chairman
BiciVida Ltd	Shareholder/Executive Director
SLI Systems Ltd	Shareholder/Chairman
Movac Fund 3	Venture Partner
Fronde Group Ltd	Director
KCW Trust	Trustee
Carlos da Silva	
Fisher & Paykel Finance Group:	
Fisher & Paykel Finance Holdings Ltd	Director
Fisher & Paykel Finance Ltd	Director
Fisher & Paykel Financial Services Ltd	Director
Equipment Finance Ltd	Director
Consumer Finance Ltd	Director
Consumer Insurance Services Ltd	Director
Retail Financial Services Ltd	Director
DA SILVA Advisory Ltd	Director
IT Partners Ltd	Director
IT Partners Group Ltd	Director
Lightwire Ltd	Director
Trelise Cooper Group Ltd	Director
Trelise Cooper Property Ltd	Director
LGC Trustee Ltd	Director
Gardon Ltd	Director
Milk Management Co Ltd	Director
Guarda Trust	Trustee
Andrew Johnson Business Trust	Trustee
Te Maunga Trust	Trustee
Seguro Trust & Cabeca Trust	Trustee
Coromandel Trust	Trustee
Waikato Rental Trust	Trustee
Homeopathic Trust	Trustee
Ocean Sands Trust	Trustee
The Westervelt Company NZ Ltd	Advisory Board
Carolyn Harkess	
NZRL Southern Zone	Director
Southern Pine Products	Strategic Projects Manager
Judy Kirk	
NZ Lotteries Commission	Chairman
J M K Consultancy Ltd	Shareholder/Director
James Koh	
Eyredale Farming Company Ltd	Director
Koh Holdings ltd	Director
Te Taru White	
Te Taru White Consultancy Limited	Owner/Director
Media 3D Limited	Shareholder/Director
Lottery Environment Heritage Committee	Committee Member

Directors' loans

There were no loans by the Company to Directors.

Directors' insurance

The Company has arranged policies for Director's Liability Insurance, which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law.

Donations

The Company made no donations during the year.

Changes in accounting policies

There have been no material changes in accounting policies in the latest financial year.

For, and on behalf of the Board, which authorised the issue of the financial report on 20 August 2013.

S Smith
Chairperson

C M da Silva
Audit & Risk Chairman

Statements of Comprehensive Income
for the year ended 30 June 2013

	Note	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Operating Revenue		42,256	42,161	19,653	19,510
Government Grants		55	68	30	43
Total Operating Revenue		**42,311**	**42,229**	**19,683**	**19,553**
Operating Expenses					
Employee Benefits Expense	3	20,443	20,421	14,610	14,900
Communication Costs		1,078	1,080	844	807
Data Acquisition Costs		2,224	2,542	1,712	2,145
IT Costs		1,805	1,640	1,555	1,191
Marketing Costs		1,094	1,281	165	43
Occupancy Costs		567	576	536	527
Operating Lease Expenses	22	1,139	966	919	776
Office Expenses		338	331	248	255
Professional Expenses		1,289	1,366	510	475
Other Costs		1,879	4,271	1,360	1,238
Depreciation and Amortisation Expense		5,849	5,316	4,032	4,059
Total Operating Expenses		**37,705**	**39,790**	**26,491**	**26,416**
Dividends Received		–	–	8,000	12,000
Operating Profit		**4,606**	**2,439**	**1,192**	**5,137**
Financial Costs	4	860	1,048	868	1,049
Profit before Taxation		**3,746**	**1,391**	**324**	**4,088**
Taxation (Expense)/Credit	5	(1,024)	(314)	(275)	620
Net Profit Attributable to Equity Holders		**2,722**	**1,077**	**49**	**4,708**
Other Comprehensive Income					
That will be subsequently reclassified to Profit or Loss when conditions are met					
Movement in Foreign Currency Translation Reserve	19	(1)	(82)	–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**2,721**	**995**	**49**	**4,708**

The accompanying notes to the financial statements form part of these financial statements.

Statements of Financial Position
as at 30 June 2013

	Note	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Equity					
Issued Capital	6	5,000	5,000	5,000	5,000
Foreign Currency Translation Reserve		(92)	(91)	–	–
Retained Earnings/(Accumulated Losses)		11,998	9,782	732	1,189
Total Equity		**16,906**	**14,691**	**5,732**	**6,189**
Liabilities					
Cash and Cash Equivalents	23	–	785	–	785
Trade and Other Payables	7	5,108	4,991	3,315	2,967
Net Amounts Owing to Related Parties	12	–	–	3,382	946
Employee Benefits	9	1,185	1,055	1,112	1,003
Borrowings	11	–	2,000	–	2,000
Total Current Liabilities		**6,293**	**8,831**	**7,809**	**7,701**
Deferred Taxation	5	995	610	687	458
Provisions	10	483	468	483	468
Employee Benefits	9	165	160	165	160
Borrowings	11	15,000	15,000	15,000	15,000
Total Non Current Liabilities		**16,643**	**16,238**	**16,335**	**16,086**
TOTAL LIABILITIES AND EQUITY		**39,842**	**39,760**	**29,876**	**29,976**
Assets					
Cash and Cash Equivalents	23	1,637	760	982	27
Trade and Other Receivables	8	4,607	6,962	801	2,813
Assets Held for Sale	18	–	68	–	68
Inventories	13	527	354	527	354
Income Taxation Receivable		50	573	662	710
Total Current Assets		**6,821**	**8,717**	**2,972**	**3,972**
Property, Plant and Equipment	18	21,350	21,393	19,662	19,714
Intangible Assets	17	11,671	9,650	7,242	6,290
Total Non Current Assets		**33,021**	**31,043**	**26,904**	**26,004**
TOTAL ASSETS		**39,842**	**39,760**	**29,876**	**29,976**

The accompanying notes to the financial statements form part of these financial statements.

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 20 August 2013.

S Smith
Chairperson

C M da Silva
Audit & Risk Chairman

Statements of Changes in Equity
for the year ended 30 June 2013

GROUP 2013	Note	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2012	6	**5,000**	**9,782**	**(91)**	**14,691**
Comprehensive Income					
Net Profit		–	2,722	–	2,722
Currency Translation Differences	19	–	–	(1)	(1)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		**–**	**2,722**	**(1)**	**2,721**
Transactions with Owners					
Dividends Relating to 2012	20	–	(506)	–	(506)
Dividends Relating to 2013	20	–	–	–	–
Total Transactions with Owners		**–**	**(506)**	**–**	**(506)**
EQUITY AS AT 30 JUNE 2013		**5,000**	**11,998**	**(92)**	**16,906**
GROUP 2012					
Equity as at 1 July 2011	6	**5,000**	**9,330**	**(9)**	**14,321**
Comprehensive Income					
Net Profit		–	1,077	–	1,077
Currency Translation Differences	19	–	–	(82)	(82)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		**–**	**1,077**	**(82)**	**995**
Transactions with Owners					
Dividends Relating to 2011	20	–	(625)	–	(625)
Dividends Relating to 2012	20	–	–	–	–
Total Transactions with Owners		**–**	**(625)**	**–**	**(625)**
EQUITY AS AT 30 JUNE 2012		**5,000**	**9,782**	**(91)**	**14,691**

The accompanying notes to the financial statements form part of these financial statements.

Statements of Changes in Equity (cont.)
for the year ended 30 June 2013

PARENT 2013	Note	Fully Paid Ordinary Shares $000s	Retained Earnings/ (Accumulated Losses) $000s	Total $000s
Equity as at 1 July 2012		**5,000**	**1,189**	**6,189**
Comprehensive Income				
Net Profit			49	49
Total Comprehensive Income		**–**	**49**	**49**
Transactions with Owners				
Dividends Relating to 2012	20	–	(506)	(506)
Total Transactions with Owners		**–**	**(506)**	**(506)**
EQUITY AS AT 30 JUNE 2013		**5,000**	**732**	**5,732**
PARENT 2012				
Equity as at 1 July 2011		**5,000**	**(2,894)**	**2,106**
Comprehensive Income				
Net Profit			4,707	4,707
Total Comprehensive Income		**–**	**4,707**	**4,707**
Transactions with Owners				
Dividends Relating to 2011	20	–	(625)	(625)
Total Transactions with Owners		**–**	**(625)**	**(625)**
EQUITY AS AT 30 JUNE 2012		**5,000**	**1,189**	**6,189**

The accompanying notes to the financial statements form part of these financial statements.

Statements of Cash Flows
for the year ended 30 June 2013

	Note	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Cash Flow from Operating Activities					
Cash was Provided from:					
Receipts from Customers		43,799	42,180	21,187	20,291
Interest Received		22	10	18	9
Cash was Applied to:					
Payments to Suppliers and Employees		(34,885)	(38,356)	(24,608)	(26,044)
Interest Paid		(881)	(1,058)	(881)	(1,057)
Income Taxation Paid		(144)	(752)	(29)	(658)
Net Cash Generated by Operating Activities	21	**7,911**	**2,024**	**(4,313)**	**(7,461)**
Cash Flow from Investing Activities					
Cash was Provided from:					
Proceeds from Disposal of Property, Plant and Equipment		85	–	85	–
Dividend Received		–	–	8,000	12,000
Intercompany Receipts		–	–	2,436	–
Cash was Applied to:					
Intercompany Advances		–	–	–	(4,384)
Purchase of Property, Plant and Equipment		(3,829)	(4,311)	(1,962)	(2,471)
Acquisition of MetraWeather (UK) Limited		–	–	–	–
Net Cash Used by Investing Activities		**(3,744)**	**(4,311)**	**8,559**	**5,145**
Cash Flow from Financing Activities					
Cash was Provided from:					
Increased Borrowings		–	2,000	–	2,000
Cash was Applied to:					
Repayment of Borrowings		(2,000)	–	(2,000)	–
Dividends		(506)	(625)	(506)	(625)
Net Cash Generated by Financing Activities		**(2,506)**	**1,375**	**(2,506)**	**1,375**
Net (Decrease)/Increase in Cash and Cash Equivalents		**1,661**	**(912)**	**1,740**	**(941)**
Add Cash and Cash Equivalents at the beginning of the year		(24)	887	(758)	183
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**1,637**	**(25)**	**982**	**(758)**

The accompanying notes to the financial statements form part of these financial statements.

Notes to the Financial Statements
for the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Limited ('Company') and consolidated financial statements comprising Meteorological Service of New Zealand Limited and its subsidiaries ('Group').

These financial statements were authorised for issue by the Board of Directors on 20 August 2013.

Standards adopted for the first time
Amendment to NZ IAS1 (2012), 'Financial statement presentation' regarding Other Comprehensive Income – effective for periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement to group items in Other Comprehensive Income on the basis of whether or not they will, or could, be subsequently reclassified to profit or loss.

Standards that are not yet effective and have not been early adopted by the Group
NZ IFRS 9 'Financial Instruments' – effective for periods beginning on or after 1 January 2015. The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZ IAS 39 'Financial Instruments: Recognition and Measurement'. NZ IFRS 9 reduces the classifications and measurement methods available for financial assets from four to two, being amortised cost or fair value through profit or loss. The Group will adopt the standard for the year ending 30 June 2016. The adoption of this standard is not expected to materially impact the Group's measurement of or disclosure of financial assets or liabilities.

NZ IFRS 10 'Consolidated Financial Statements' – effective for periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Group will adopt the standard for the year ending 30 June 2014. The adoption of this standard is not expected to materially impact the Group's financial statements.

NZ IAS 27 'Consolidated and Separate Financial Statements' – effective for periods beginning on or after 1 January 2013. The standard is renamed 'Separate Financial Statements' and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements. The Group will adopt the standard for the year ending 30 June 2014.

IFRS 13 Fair value measurement – effective for periods beginning on or after 1 January 2013. Fair value measurement guidance contained in individual IFRSs is replaced with a single, unified definition of fair value; it also contains authoritative guidance on the application of fair value measurement in inactive markets. There are significant additional disclosures where fair values are used. The adoption of this standard is not expected to materially impact the Group's financial statements. The Group will adopt the standard for the year ending 30 June 2014.

Statement of compliance
The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS) as appropriate for profit oriented entities.
The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State Owned Enterprises Act 1986.

Meteorological Service of New Zealand Limited is incorporated and domiciled in New Zealand. The address of its registered office is 30 Salamanca Road, Wellington. Its primary service is to provide weather and presentation services to customers around the globe.

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of preparation
The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and the financial position under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, are followed in the preparation of the financial statements.

Principles of consolidation

Subsidiaries
The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2013. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statements of Comprehensive Income from the effective date of acquisition or disposal. All significant transactions between Group companies are eliminated on consolidation. Investments in subsidiaries are recorded at cost less impairment in the Parent company's financial statements.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Revenue
Revenue is measured at the fair value for the sale of goods and services. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income
Interest income is accounted for using the effective interest rate method.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to assets are treated as deferred income and recognised in the Statements of Comprehensive Income over the expected useful lives of the assets concerned.

Inventories
Inventories are valued at the lower of cost, on a weighted average cost basis of inventory on hand calculated at the time of the last purchase, and net realisable value. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Property, plant and equipment
The cost of purchased property, plant and equipment is valued at the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for the intended service. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The costs of assets constructed by the Parent and Group include the costs of all materials used in construction and direct labour on the project. Costs are capitalised as soon as the asset is capable of productive use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statements of Comprehensive Income during the financial period in which they are incurred.

Depreciation
Depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate the historical cost over the estimated useful life of the asset, after due allowance has been made for the expected residual value.

The cost of improvements to leasehold property are capitalised, disclosed as leasehold property and amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is shorter.

The annual depreciation rates are shown below for each classification of asset:

Buildings	2.5% – 10.0%
Computer Hardware & Software Equipment	10.0% – 33.3%
Furniture & Fittings	10.0% – 33.3%
Buildings on Leasehold Land	3.1% – 5.0%
Meteorological Equipment	2.0% – 33.0%
Motor Vehicles	15.0% – 20.0%
Office Equipment	20.0% – 33.0%
Plant & Equipment	10.0% – 33.0%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised in the Statements of Comprehensive Income.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly controlled entity at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ('CGU') or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill recognised in the Statements of Comprehensive Income are not reversed. Gains and losses on the disposal of a CGU or portion of a CGU include the carrying amount of goodwill relating to the CGU or portion of a CGU sold.

Intangible assets acquired separately
Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives of between three and five years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Internally-generated intangible assets – computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the Statements of Comprehensive Income in the period in which it is 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 intangible assets acquired separately.

The annual amortisation rate shown below is considered appropriate for each classification of intangible asset:

Internally Generated Software	20.0 – 33.0%
Customer Base	20%

Leases
Operating lease payments, where lessors retain substantially all the risk or benefit of ownership of the leased items, are recognised as an expense in the Statements of Comprehensive Income on a straight-line basis over the period of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration provision
Restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The restoration costs are based on management's best estimate of the amount required to settle the obligation. Movements in the restoration provision are recognised in the Statements of Comprehensive Income.

Employee benefits
Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and alternative days leave expected to be settled within 12 months of the reporting date are recognised in payables in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when it is probable that the liabilities will be settled.

Termination leave
The liability for termination leave not expected to be settled within 12 months of the reporting date is recognised in non current liabilities and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statements of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Foreign currencies
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in New Zealand dollars, which is the Parent's functional and the Group's presentation currency.

Transactions and balances
Transactions denominated in foreign currency are converted to New Zealand dollars using the exchange rate at the date of the transaction.

At balance date, foreign monetary assets and liabilities are recorded at the closing exchange rate.

Gains or losses due to currency fluctuations, both realised and unrealised, are recognised in the Statements of Comprehensive Income.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

Financial instruments
Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, trade and other receivables, amounts owing to related parties, trade and other payables, Directors' fees payable and employee entitlements.

Financial assets
Financial assets are recognised and derecognised on trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Loans and receivables
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet 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 reduced.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statements of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the reversal of the previously recognised impairment loss is recognised in the profit and loss component of the Statement of Comprehensive Income.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
Financial liabilities are recognised and derecognised on trade date where the purchase or sale of liability is under a contract whose terms required delivery within the timeframe established by the market concerned.

Financial liabilities
Financial liabilities, including trade and other payables, and borrowings are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised by applying the effective interest method.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Statement of cash flows
For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments with original maturities of three months or less, net of outstanding bank overdrafts. The following terms are used in the Statement of Cash Flows:

Operating activities: are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Goods and Services Tax
All items included in the financial statements are reported exclusive of Goods and Services Tax (GST), except for accounts payables and accounts receivable, which include GST invoiced.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statements of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statements of Comprehensive Income.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting judgments and key sources of estimation uncertainty
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(i) Note 10: Provisions – measurement of restoration provisions.
(ii) Note 17: Other Intangible Assets – measurement of goodwill impairment of subsidiaries.
(iii) Note 17: Other Intangible Assets – measurement of the fair value of the customer base.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

2. OPERATING EXPENDITURE	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Profit/(Loss) for the year has been arrived after charging/(crediting):				
Audit Fees	99	90	45	40
Other Fees Paid to Auditors for IT Security Review	–	13	–	13
Disposal of Property, Plant and Equipment	66	23	38	20
Impairment of Software Development	–	2,241	–	151
Directors' Fees	190	190	190	190
Bad Debts Recovered	(33)	–	–	–
Software Development Expenditure	123	133	11	1
FX losses/(gains)	–	67	6	(16)
Bad debts	107	–	–	–

3. EMPLOYEE BENEFITS EXPENSE	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Wages and Salaries	22,616	22,386	16,469	15,635
Termination Benefits	26	28	26	28
Defined Contribution Pension Plan Expense	413	487	413	487
Labour Capitalised	(3,999)	(4,181)	(2,948)	(2,198)
Contractors/Temporary Staff	1,011	1,022	356	299
Other Employee Benefits	376	679	294	649
TOTAL EMPLOYEE BENEFITS	**20,443**	**20,421**	**14,610**	**14,900**

4. FINANCE COSTS – NET	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Interest Revenue				
Bank Deposits	22	10	14	9
Total Finance Income	**22**	**10**	**14**	**9**
Interest on Bank Overdrafts and Loans	882	1,058	882	1,058
Total Finance Costs	**882**	**1,058**	**882**	**1,058**
FINANCE COSTS – NET	**860**	**1,048**	**868**	**1,049**

5. TAXATION	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Net Profit Before Taxation	3,746	1,391	324	4,088
Prima Facie Taxation Thereon at 28%	1,049	389	89	1,144
Non-deductible Legal Fees	–	20	–	–
Non-deductible Entertainment	38	8	34	5
Non-assessable Inter-company Dividends	–	–	(2,240)	(3,360)
Non-assessable Government Grant	(15)	(19)	(8)	(12)
Prior Period Adjustment	(76)	(59)	17	(63)
Effect of Current Tax Offsets within Group	–	–	2,358	1,685
Effect of Buildings Being Held for Sale	2	10	2	10
Effect of Different Tax Rates in Other Jurisdictions	4	6	–	–
Other	22	(41)	23	(29)
TAXATION EXPENSE/(BENEFIT)	**1,024**	**314**	**275**	**(620)**
Prior Year Adjustment	(76)	(59)	17	(63)
Current Taxation	715	187	29	(699)
Deferred Taxation	385	186	229	142
TAXATION EXPENSE/(BENEFIT)	**1,024**	**314**	**275**	**(620)**

Deferred Tax

Deferred tax (liabilities)/assets arise from the following:				
TEMPORARY DIFFERENCES				
Property, Plant and Equipment	(964)	(638)	(889)	(586)
Intangible Assets	(492)	(508)	(223)	(374)
Other Financial Assets	–	–	–	–
Provisions and Other Liabilities	432	510	425	502
MetraWeather (UK) Ltd Loss for the Period	29	26	–	–
	(995)	**(610)**	**(687)**	**(458)**
Deferred Taxation				
Opening Balance	(610)	(373)	(458)	(263)
On Profit/(Loss) for the Year	(385)	(186)	(229)	(142)
Prior Period Adjustment	–	(73)	–	(71)
Effect of Change in Building Tax Depreciation on Deferred Tax	–	(10)	–	(10)
Other	–	32	–	28
CLOSING BALANCE	**(995)**	**(610)**	**(687)**	**(458)**
Deferred Tax to be Recovered < 12 months	432	510	424	–
Deferred Tax to be Recovered > 12 months	(1,427)	(1,120)	(1,111)	(458)
	(995)	**(610)**	**(687)**	**(458)**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

5. TAXATION (CONTINUED)	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Imputation Credits				
Imputation Credits Available For Use in the Future	4,139	4,044	–	–
Imputation credits available directly and indirectly to shareholders of the Parent Company, through:				
Parent Company	4,139	4,044		
Subsidiaries	–	–		
TOTAL	**4,139**	**4,044**		

6. ISSUED CAPITAL	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Authorised, Issued and Fully Paid Capital Consists of 5,000,000 Ordinary Shares	5,000	5,000	5,000	5,000

Issued shares have no par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

7. TRADE AND OTHER PAYABLES	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Trade Payables	1,052	944	780	731
Other Payables	1,263	1,575	1,145	1,585
Accruals	1,773	1,001	1,360	606
Income in Advance	961	1,387	30	45
Income in Advance – Government Grant	59	84	–	–
TOTAL TRADE AND OTHER PAYABLES	**5,108**	**4,991**	**3,315**	**2,967**

Government Grant
TBG (Technology for Business Growth) is a government-funded initiative to assist business to develop ideas for business growth. The Parent received a grant in 2006 to work on forecasting tools for energy customers and a further grant in 2011 for a project to improve forecast verification across the business. The projects were 50% funded and under NZ IAS 20 Government Grants, this revenue is recognised over the life of the asset.

8. TRADE AND OTHER RECEIVABLES	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Trade Receivables	3,328	5,429	63	2,169
Allowance for Impairment	(107)	–	–	–
	3,221	**5,429**	**63**	**2,169**
Prepayments	848	705	618	528
Sundry Debtors	538	828	120	116
TOTAL TRADE AND OTHER RECEIVABLES	**4,607**	**6,962**	**801**	**2,813**

The average credit period on sales of goods and services is 30 days. No interest is charged on the trade receivables overdue. Overdue debts are reviewed on a case-by-case basis and provided for if the receivable is considered not recoverable. Historical experience is such that international customers pay on a 60-90-day term and default is minimal.

Included in the Group's trade receivable balance are debtors with a carrying amount of $1,072,000 (2012: $592,423) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Included in the Parent's trade receivable balance are debtors with a carrying amount of $nil (2012: $nil) which are past due at the reporting date for which the Parent has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Parent does not hold any collateral over these balances.

	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Ageing Past Due Trade Receivables (Not Impaired)				
60-90 Days	50	139	–	–
Above 90 Days	511	256	–	–
TOTAL	**561**	**395**	**–**	**–**
Movement in the Allowance for Impairment				
Balance at Beginning of the Year	–	34	–	–
Doubtful Debts Recognised as Bad Debts	107	(34)	–	–
BALANCE AT END OF THE YEAR	**107**	**–**	**–**	**–**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $362,000 (2012: $nil) for Group and $nil (2012: $nil) for the Parent, relating to entities which have been considered doubtful.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate their fair value.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

9. EMPLOYEE BENEFITS	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Annual Leave Entitlement	1,186	1,024	1,112	972
Termination Leave	165	191	165	191
TOTAL EMPLOYEE BENEFITS	**1,351**	**1,215**	**1,277**	**1,163**
Termination Leave				
Opening Balance as at 1 July 2012	191	219	191	219
Reductions Arising from Payments/Other Sacrifices of Future Economic Benefits	(26)	(28)	(26)	(28)
CLOSING BALANCE AS AT 30 JUNE 2013	**165**	**191**	**165**	**191**
Termination Leave – Current	–	31	–	31
Termination Leave – Non Current	165	160	165	160
CLOSING BALANCE AS AT 30 JUNE 2013	**165**	**191**	**165**	**191**

The liability for employee benefits represents annual leave and termination leave entitlements accrued. The termination leave accrual is an actuarial assessment of the accrued termination leave liabilities for current employees of the Parent. Only those employees with 10 years' service when the scheme closed are eligible for the benefit.

Termination leave has been calculated by the actuarial firm Aon NZ Ltd and has been calculated based on inter alia: Contractual Employee Entitlements, Projected Employee Salary Increases, Expected Resignation and Retirement Rates, Forecasted Market Discount Rates.

10. PROVISIONS	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Non Current				
Restoration Provision	483	468	483	468
TOTAL NON CURRENT PROVISIONS	**483**	**468**	**483**	**468**
Restoration Provision				
Opening Balance as at 1 July 2012	468	619	468	619
Additional Provisions Recognised	–	8	–	8
Movement Due to Revised Assumption on Lease Termination	15	(55)	15	(55)
Removal of Gisborne and New Plymouth Buildings from Provision	–	(159)	–	(159)
Change for Passage of Time and Discount Rate Movement	–	55	–	55
Closing Balance as at 30 June 2013	**483**	**468**	**483**	**468**
TOTAL PROVISIONS	**483**	**468**	**483**	**468**

Restoration provision
The Parent has a number of sites leased around the country for the purpose of housing weather stations or related equipment. A restoration provision has been calculated for those sites that contractually require the site to be restored to its original state on expiry of the license to occupy. The Restoration provision is an estimate of the cost (in today's dollars) of restoring current leased sites to their original state on termination of the lease agreement assuming this would occur at the end of the useful life of equipment on the leased site (usually 20 years from commencement of lease.)

This provision includes estimation for restoring Campbell Island. The Parent has used the ten year government bond rate of 3.6% (2012: 3.41%) as the discount rate and assumed a 2% CPI increase on costs.

Contingent liability
Several lease agreements are held that do not include the requirement to restore the site on termination of the lease. Because the Company is not contractually obligated to remove the equipment and restore the site, it is not certain that a liability would arise therefore the estimated cost of restoring these sites has been excluded from the provision. 2013: $337,592 (2012: $349,941).

11. BORROWINGS	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Unsecured				
Current				
Bank Loan	–	2,000	–	2,000
Non Current				
Bank Loan	15,000	15,000	15,000	15,000
TOTAL BORROWINGS	**15,000**	**17,000**	**15,000**	**17,000**

The Parent has an on-going term loan agreement with the Westpac Banking Corporation. The interest rates are fixed and due for renewal between 30 June 2015 and 30 June 2016. The average interest rate for the loans as at 30 June 2013 is 5.53% (2012: 6.02%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and debt/equity ratio. As at 30 June 2013, all banking covenants had been complied with.

12. FINANCING FACILITIES	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Loans from Subsidiaries				
Metra Information Limited – Intercompany	–	–	(5,223)	(2,005)
MetraWeather (Australia) Pty Limited – Intercompany	–	–	1,841	1,059
	–	**–**	**(3,382)**	**(946)**

Loans from subsidiaries
The Company provides funding to Metra Information (Australia) Pty Limited via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year. The Company receives funding from its New Zealand subsidiary via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year.

13. INVENTORIES	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Finished Goods at Cost	527	354	527	354
TOTAL INVENTORIES	**527**	**354**	**527**	**354**

The cost of inventories recognised as an expense during the year was $406,764 (2012: $549,974).

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

14. SUBSIDIARIES

Details of the Group's Subsidiaries at 30 June 2013 and 30 June 2012 are as follows:

Names	Metra Information Limited (MIL)	MetraWeather (Australia) Pty Limited	MetraWeather (UK) Limited
Place of Incorporation and Operation	New Zealand	Australia	United Kingdom
Ownership Interests and Voting Rights	100% (2012: 100%)	100% (2012: 100%)	100% (2012: 100%)
Principal Activity	Weather and Information Presentation Services	Marketing and Promotion of Weather and Information Presentation Services	Weather Services to the Retail Sector
Balance Date	30 June	30 June	30 June

15. BRANCHES

Details of the Group's Branches at 30 June 2013 are as follows:

Names	MetraWeather (UK) Ltd	Metra Information Limited	Metra Information Limited (Dubai)
Place of Incorporation and Operation	United Kingdom	Hong Kong	Dubai
Principal Activity	Sales & Marketing of Weather and Information Presentation Services	Sales & Marketing of Weather and Information Presentation Services	Sales & Marketing of Weather and Information Presentation Services
Balance Date	30 June	30 June	30 June

16. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

Equity interests in related parties

Details of interests in subsidiaries are disclosed in note 14

	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Transfers of Software Development				
Metra Information Limited	–	–	2,320	1,321
MetraWeather (Australia) Pty Limited	–	–	31	51
	–	**–**	**2,351**	**1,372**

The Parent develops computer software products, some of which were acquired by its subsidiary, Metra Information Limited and Metra Information (Australia) Pty Limited.

Settlement of liabilities				
Metra Information Limited	–	–	(3,310)	(4,838)
MetraWeather (Australia) Pty Limited	–	–	(87)	(237)
	–	**–**	**(3,397)**	**(5,075)**

During the year the Parent was reimbursed for expenses it incurred on behalf of MetraWeather (Australia) Pty Limited.

Due to internal restructuring in the previous three years, Metra Information Limited now provides regular funding assistance to its Parent company which is reimbursed on a regular basis.

Balances are interest free and payable on demand.

Outstanding receivable/(payable) at year end				
Metra Information Limited	–	–	(5,223)	(2,005)
MetraWeather (Australia) Pty Limited	–	–	1,841	1,059
	–	**–**	**(3,382)**	**(946)**

Compensation of key management personnel

Key management personnel are paid in their capacity as employees and receive salary and bonus.

Key management personnel includes Directors and the Executive Team.

Total Salaries	1,808	1,530	1,808	1,530
Total Profit Share	82	15	82	15
Directors Remuneration	190	190	190	190
	2,080	**1,735**	**2,080**	**1,735**

Other related parties

Relationship with the Crown

Meteorological Service of New Zealand Limited is a limited liability company incorporated in New Zealand, under the Companies Act 1993. The shares are held equally by the Minister for State Owned Enterprises and the Minister of Finance on behalf of the Crown. The Crown does not guarantee the liabilities of Meteorological Service of New Zealand Limited.

No amounts owed by related parties have been written off or forgiven during the year.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

17. OTHER INTANGIBLE ASSETS	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Internally Developed Software				
Cost				
Balance at the Beginning of the Year	13,862	14,521	9,403	8,359
Additions – Internal Software Development	5,114	3,370	2,696	1,999
Disposals	(343)	(4,029)	(334)	(955)
Balance at the End of the Year	18,633	13,862	11,765	9,403
Accumulated Amortisation and Impairment Losses				
Balance at the Beginning of the Year	(8,591)	(10,426)	(6,576)	(6,243)
Amortisation Expense – Internal Software Development	(2,867)	(2,191)	(1,467)	(1,288)
Disposals	207	4,026	39	955
Balance at the End of the Year	(11,251)	(8,591)	(8,004)	(6,576)
Carrying Amount	**7,382**	**5,271**	**3,761**	**2,827**
Capital Work in Progress				
Internally Developed Software	3,479	3,483	3,481	3,463
TOTAL CARRYING AMOUNT	**10,861**	**8,754**	**7,242**	**6,290**
MetraWeather (UK) Intangible Assets				
Cost				
Balance at the Beginning of the Year	413	430	–	–
Additions – Customer Base and Company Website (Note 15)	–	–	–	–
Revaluation as at 30 June	–	(17)	–	–
Balance at the End of the Year	413	413	–	–
Accumulated Amortisation and Impairment Losses				
Balance at the Beginning of the Year	(117)	(31)	–	–
Amortisation Expense – Customer Base and Company Website	(86)	(86)	–	–
Balance at the End of the Year	(203)	(117)	–	–
Carrying Amount	**210**	**296**	**–**	**–**

The Amortisation Expense has been included in the line item 'Depreciation and Amortisation Expense' in the Statements of Comprehensive Income.

Goodwill on Acquisition of MetraWeather (UK) Ltd				
Cost				
Balance at the Beginning of the Year	600	636	–	–
Revaluation as at 30 June	–	(36)	–	–
Carrying Amount	**600**	**600**	**–**	**–**
TOTAL CARRYING AMOUNT	**11,671**	**9,650**	**7,242**	**6,290**

MetraWeather (UK) Ltd customer base valuation

The MetraWeather (UK) Ltd customer base is calculated on the net present value, using a discount rate of 18%, of expected revenue net of direct customer servicing costs over a five year period. The asset is to be amortised over a five year period finishing in February 2016. The carrying value of the asset as at 30 June 2013 was $205,333 (2012: $283,333). No reasonable change in assumptions leads to an impairment.

Impairment tests for goodwill

Goodwill is allocated to the Metra UK cash-generating unit (CGU). The recoverable amount of the Metra UK CGU has been determined based on a value-in-use calculation. The calculation used forecast cash flows to 2016 with a pretax growth rate of 5% and a discount rate of 23%. The recoverable amount of the Metra UK CGU exceeds its carrying amount therefore no impairment loss has been recognised.

18. PROPERTY, PLANT & EQUIPMENT	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Land				
Cost	117	118	117	118
CARRYING AMOUNT	**117**	**118**	**117**	**118**
Opening Carrying Amount	118	118	118	118
Additions	–	–	–	–
Disposals	(1)	–	(1)	–
CLOSING CARRYING AMOUNT	**117**	**118**	**117**	**118**
Land – Leasehold				
Cost	439	439	439	439
Accumulated Depreciation and Impairment	(433)	(433)	(433)	(433)
CARRYING AMOUNT	**6**	**6**	**6**	**6**
Opening Carrying Amount	6	29	6	29
Additions	–	–	–	–
Disposals	–	–	–	–
Assets Held for Sale	–	(2)	–	(2)
Depreciation	–	(21)	–	(21)
CLOSING CARRYING AMOUNT	**6**	**6**	**6**	**6**
Buildings				
Cost	2,655	2,563	2,655	2,563
Accumulated Depreciation and Impairment	(610)	(497)	(610)	(497)
CARRYING AMOUNT	**2,045**	**2,066**	**2,045**	**2,066**
Opening Carrying Amount	2,066	2,744	2,066	2,744
Additions	147	457	147	457
Disposals	–	–	–	–
Reclassification to Buildings on Leasehold Land	–	(970)	–	(970)
Depreciation	(168)	(165)	(168)	(165)
CLOSING CARRYING AMOUNT	**2,045**	**2,066**	**2,045**	**2,066**
Buildings on Leasehold Land				
Cost	5,678	5,733	5,518	5,593
Accumulated Depreciation and Impairment	(2,392)	(2,075)	(2,368)	(2,032)
CARRYING AMOUNT	**3,287**	**3,658**	**3,150**	**3,561**
Opening Carrying Amount	3,658	3,113	3,561	3,007
Additions	36	16	–	16
Disposals	(79)	–	(79)	–
Reclassification from Buildings	–	970	–	970
Assets Held for Sale	–	(68)	–	(68)
Accumulated Depreciation Recovered	40	–	23	–
Depreciation	(368)	(373)	(355)	(364)
CLOSING CARRYING AMOUNT	**3,287**	**3,658**	**3,150**	**3,561**

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

18. PROPERTY, PLANT & EQUIPMENT (CONTINUED)	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Computer Hardware & Software Equipment				
Cost	14,358	13,659	13,028	12,500
Accumulated Depreciation and Impairment	(12,040)	(11,112)	(11,002)	(10,224)
CARRYING AMOUNT	**2,318**	**2,547**	**2,026**	**2,276**
Opening Carrying Amount	2,547	2,733	2,276	2,516
Additions	942	1,202	760	1,030
Disposals	(249)	(302)	(232)	(268)
Accumulated Depreciation Recovered	249	280	232	247
Depreciation	(1,171)	(1,366)	(1,010)	(1,249)
CLOSING CARRYING AMOUNT	**2,318**	**2,547**	**2,026**	**2,276**
Meteorological Equipment				
Cost	20,476	20,061	19,253	18,905
Accumulated Depreciation and Impairment	(10,270)	(9,445)	(9,878)	(9,178)
CLOSING CARRYING AMOUNT	**10,206**	**10,616**	**9,375**	**9,727**
Opening Carrying Amount	10,616	9,268	9,727	8,262
Additions	533	2,239	471	2,239
Disposals	(123)	(4)	(123)	(4)
Accumulated Depreciation Recovered	123	4	123	4
Depreciation	(943)	(891)	(823)	(774)
CLOSING CARRYING AMOUNT	**10,206**	**10,616**	**9,375**	**9,727**
Motor Vehicles				
Cost	243	274	243	242
Accumulated Depreciation and Impairment	(198)	(204)	(198)	(172)
CARRYING AMOUNT	**45**	**70**	**45**	**70**
Opening Carrying Amount	70	65	70	65
Additions	–	39	–	39
Disposals	–	(31)	–	(31)
Accumulated Depreciation Recovered	–	31	–	31
Depreciation	(25)	(34)	(25)	(34)
CLOSING CARRYING AMOUNT	**45**	**70**	**45**	**70**
Office Equipment				
Cost	641	599	519	491
Accumulated Depreciation and Impairment	(464)	(415)	(407)	(376)
CARRYING AMOUNT	**177**	**184**	**112**	**115**
Opening Carrying Amount	184	121	115	113
Additions	50	104	37	39
Disposals	(8)	(15)	(8)	(4)
Accumulated Depreciation Recovered	6	15	6	4
Depreciation	(55)	(41)	(38)	(37)
CLOSING CARRYING AMOUNT	**177**	**184**	**112**	**115**
Furniture and Fittings				
Cost	1,294	1,261	1,136	1,118
Accumulated Depreciation and Impairment	(759)	(688)	(677)	(615)
CARRYING AMOUNT	**535**	**573**	**459**	**503**
Opening Carrying Amount	573	568	503	513
Additions	34	77	18	52
Disposals	–	(13)	–	(11)
Accumulated Depreciation Recovered	–	12	–	11
Depreciation	(72)	(71)	(62)	(62)
CLOSING CARRYING AMOUNT	**535**	**573**	**459**	**503**
Plant and Equipment				
Cost	1,008	972	908	872
Accumulated Depreciation and Impairment	(557)	(475)	(478)	(405)
CARRYING AMOUNT	**451**	**497**	**430**	**467**
Opening Carrying Amount	497	536	467	498
Additions	36	35	36	35
Disposals	–	(1)	–	(1)
Accumulated Depreciation Recovered	–	1	–	1
Depreciation	(82)	(74)	(73)	(66)
CLOSING CARRYING AMOUNT	**451**	**497**	**430**	**467**
	19,187	**20,335**	**17,765**	**18,909**
Capital Work in Progress				
External Purchased Software and Equipment	2,163	1,058	1,897	805
TOTAL CARRYING AMOUNT	**21,350**	**21,393**	**19,662**	**19,714**
Assets Held for Sale				
New Plymouth Building	–	40	–	40
Gisborne Building	–	28	–	28
TOTAL CARRYING AMOUNT	**–**	**68**	**–**	**68**

Capital work in progress relates to on-going projects that were not completed and capitalised at year end.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

19. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars.

20. DIVIDENDS	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Final Dividends Paid				
Final Dividends Relating to Prior Year (10c per share, 2012: 12.5c per share)	506	625	506	625
	506	**625**	**506**	**625**

As at balance date, there has been no provision made for a final dividend. The Group's dividend policy is 35% of operating cash flow.

21. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Net Surplus for the Year	**2,721**	**995**	**49**	**4,708**
Non Cash/Non-Operating Items				
Movement in Foreign Currency Translation Reserve	1	82	–	–
Depreciation and Amortisation	5,849	5,316	4,032	4,059
Sale of Fixed Assets	66	23	38	20
Impairment of Work in Progress	–	2,241	–	151
Change in Value of Option	–	–	–	–
Change in Fair Value of Subsidiary	–	–	–	–
Share of Profits of Associates	–	–	–	–
Labour Capitalised	(3,999)	(4,181)	(2,948)	(2,198)
Increase/(Decrease) in Deferred Tax	385	238	229	195
Intercompany Dividends	–	–	(8,000)	(12,000)
Restoration Provision	15	(152)	15	(152)
INCREASE/(DECREASE) IN NON-CASH ITEMS	**2,317**	**3,567**	**(6,634)**	**(9,925)**
Movements in Working Capital				
(Increase)/Decrease in Receivables	2,355	(1,327)	2,012	(235)
(Decrease)/Increase in Accounts Payable and Accruals	168	(623)	385	(623)
Decrease/(Increase) in Income Taxation Receivable	523	(662)	48	(1,460)
(Increase)/Decrease in Inventories	(173)	74	(173)	74
Total Movement in Working Capital	**2,873**	**(2,538)**	**2,272**	**(2,244)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**7,911**	**2,024**	**(4,313)**	**(7,461)**

22. OPERATING LEASE EXPENSES

The Group as Lessee:

Leasing arrangements

The Group leases land: operating leases over these properties give the Group the right to renew the lease subject to a redetermination of the lease by the lessor.

	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Non-Cancellable Operating Lease Commitments				
Not Later than One Year	281	248	242	209
Later than One Year and Not Later than Five Years	549	485	549	485
Later than Five Years	1,008	1,074	1,008	1,074
	1,838	**1,807**	**1,799**	**1,768**
CURRENT YEAR EXPENSE	**1,139**	**966**	**919**	**776**

23. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, bank deposits on call, net of outstanding bank overdrafts and advances. Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows can be reconciled to the related items in the balance sheet as follows:

	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Cash and Cash Equivalents	1,637	760	982	27
Bank Overdraft/Advance	–	(785)	–	(785)
	1,637	**(25)**	**982**	**(758)**

The Parent has an overdraft facility with Westpac to the value of $50,000.

The Parent has a multi-option credit line facility with Westpac to the value of $4,000,000. The term of this facility is to 30 June 2014 and the balance is on call. Interest is charged at the cash rate plus a corporate margin of 30 basis points with a line of credit charge of 0.025% per month on the commitment during that month.

The Parent provides support for meteorological services in the Pacific Islands and Africa. In this role, the Parent acts as an intermediary between the 'Funder' and the 'Recipient or Client'. The role encompasses the provision of project management expertise, sourcing equipment, calibration and testing and site installation.

Funding is received from international sources to fund these projects. The cash held at balance date is offset by a liability within 'Other payables'.

FUNDS HELD AT BALANCE DATE	**924**	**1,419**	**924**	**1,419**

24. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

Debt covenants are reviewed by management and reported to the Board on a monthly basis.

Notes to the Financial Statements
for the year ended 30 June 2013 (cont.)

24. FINANCIAL INSTRUMENTS (CONTINUED)

	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Categories of Financial Instruments				
Assets				
LOANS AND RECEIVABLES				
Cash and Cash Equivalents	1,637	(25)	982	(758)
Trade and Other Receivables	3,759	6,257	183	2,285
TOTAL FINANCIAL ASSETS	**5,396**	**6,232**	**1,165**	**1,527**
Liabilities				
FINANCIAL LIABILITIES AT AMORTISED COST				
Trade and Other Payables	4,946	4,659	3,307	2,813
Employee Benefits	1,351	1,215	1,277	1,163
Amounts Owing to Subsidiary	–	–	3,382	946
Borrowings	15,000	17,000	15,000	17,000
TOTAL FINANCIAL LIABILITIES	**21,297**	**22,874**	**22,966**	**21,922**

Financial risk management objectives
The Group seeks to minimise the effects of foreign currency exchange risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign currency exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk
There has been no change during the year to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The New Zealand dollar equivalent carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities 2013 $000s	Liabilities 2012 $000s	Assets 2013 $000s	Assets 2012 $000s
Group				
US Dollars	28	76	515	812
British Pounds	18	12	105	219
Euro	32	1	115	275
Australian Dollars	5	25	162	334
	83	**114**	**897**	**1,640**
Parent				
US Dollars	–	–	–	–
British Pounds	–	–	–	–
Euro	–	–	–	–
Australian Dollars	–	–	–	–
	–	**–**	**–**	**–**

24. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to exchange rate at the balance sheet date. This analysis is based on the closing foreign currency denominated monetary assets and monetary liabilities at the reporting date.

If exchange rates had been 10% higher and all other variables were held constant, Group profit and equity would have decreased by $126,000 (2012: $160,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by $154,000 (2012: $195,000).

Interest rate risk management
The Parent and Group manages interest rate risk by borrowing funds at fixed interest rates and maintaining an appropriate level of debt.

The Parent and Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments which potentially subject the Group to credit risk principally consist of bank transactions and deposits, accounts receivable and sundry accounts receivable. The Group has a credit policy which is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis.

In the normal course of business, amounts due from the Ministry of Transport represent a significant account receivable and a concentration of credit risk. However the Directors do not expect any loss from non-performance of this counterparty.

The Group does not require collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 12 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The Group and Parent have access to financing facilities, the total unused amount of which is $4,000,000 (2012: $2,000,000) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Other items
The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

25. CAPITAL COMMITMENTS	Group 2013 $000s	Group 2012 $000s	Parent 2013 $000s	Parent 2012 $000s
Commitments for the acquisition of property, plant and equipment	**333**	**606**	**333**	**926**

26 CONTINGENCIES

The Company has issued a letter of support in favour of MetraWeather (UK) Ltd Limited to confirm that financial support will be provided to this entity.

Refer to note 10 for contingent liabilities relating to restoration of leased sites.

27 SUBSEQUENT EVENTS

On 1 August 2013, the Group acquired 49% stake in MetOcean Solutions Limited for $3 million, funded by bank borrowing.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited (the Company) and Group. The Auditor-General has appointed me, Lesley Mackle, using the staff and resources of PricewaterhouseCoopers, to carry out an audit of the financial statements of the Company and Group on her behalf.

We have audited the financial statements of the Company and Group on pages 23 to 49, that comprise the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial statements

In our opinion, the financial statements of the Company and Group on pages 23 to 49:

- comply with generally accepted accounting practice in New Zealand; and
- 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 2013; and
  - financial performance and cash flows for the year ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

Our audit was completed on 20 August 2013, 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

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

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

Independence

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

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

Lesley Mackle
On behalf of the Auditor-General

PricewaterhouseCoopers
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements This audit report relates to the financial statements of Meteorological Service of New Zealand for the year ended 30 June 2013 included on the Company and Group's website. The Company and Group's Board of Directors is responsible for the maintenance and integrity of the Company and Group's website. We have not been engaged to report on the integrity of the Company and Group'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 the related audit report dated 20 August 2013 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.

Key Performance Indicators
Financial

	Statement of Corporate Intent	Actual 2013	Actual 2012
1. Shareholder Returns			
Total Shareholder Return	1.5%	1.0%	8.0%
Dividend Yield	1.5%	1.0%	1.2%
Dividend Payout	18.1%	11.3%	30.9%
Return on Equity (ROE)	15.5%	17.2%	7.4%
Return on Funds Employed	13.7%	14.5%	7.7%
2. Profitability/Efficiency			
NPAT ($000s)	2,428	2,721	1,077
EBIT ($000s)	4,523	4,606	2,357
EBITDA ($000s)	10,409	10,452	7,755
Asset Turnover	1.09	1.06	1.10
Operating Margin (EBITDAF)	23.5%	24.7%	18.4%
Operating Margin (EBIT)	10.2%	10.9%	5.6%
3. Leverage/Solvency			
Gearing Ratio (net)	51.2%	44.1%	53.7%
Interest Cover	9.0	12.2	7.4
Solvency	0.95	1.04	0.99
Debt Coverage Ratio	3.98	3.26	7.21
4. Growth/Investment			
Revenue Growth	3.4%	0.2%	7.7%
EBITDAF Growth	31.8%	34.8%	-21.5%
NPAT Growth	115.3%	152.8%	-65.6%
Capital Renewal	1.56	1.34	1.60

Key Performance Indicators
Financial (cont.)

NOTES ON THE FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description	Calculation
1. Shareholder Returns		
Total Shareholder Return	Performance from an investor perspective – dividends and investment growth.	(Commercial value$_{end}$ less Commercial value$_{beg}$ plus dividends paid less equity injected)/ Commercial value$_{beg}$.
Dividend Yield	The cash return to the shareholder.	Dividends paid/Average commercial value.
Dividend Payout	Proportion of net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder.	Dividends paid/Net cash flow from operating activities less depreciation expense.
Return on Equity (ROE)	How much profit a company generates with the funds the shareholder has invested in the Company.	Net profit after tax/Average equity.
Return on Funds Employed (ROFE)		Ratio of EBIT to average debt plus equity over the period.
2: Profitability/Efficiency		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	Revenue/Assets.
Operating Margin (EBITDAF)	The profitability of the Company per dollar of revenue.	EBITDAF/Revenue.
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue.	EBIT/Revenue.
3: Leverage/Solvency		
Gearing Ratio (net)	Measure of financial leverage – the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity.	Net debt/Net debt plus equity.
Interest Cover	The number of times that earnings can cover interest.	EBITDAF/Interest paid.
Solvency	Ability of the Company to pay its debts as they fall due.	Current assets/Current liabilities.
Debt Coverage Ratio	Level of bank debt in relation to earnings.	Bank debt/EBIT.
4: Growth/Investment		
Revenue Growth	Measure of whether the Company is growing revenue.	% change in revenue.
EBITDAF Growth	Measure of whether the Company is growing earnings.	% change in EBITDAF.
NPAT Growth	Measure of whether the Company is growing profits.	% change in NPAT.
Capital Renewal	Measure of the level of capital investment being made by the Company.	Capital expenditure/Depreciation expense.

Key Performance Indicators
Non-Financial

	Statement of Corporate Intent 2012/13	Actual 2013	Actual 2012
Warnings Performance			
POD Heavy Rain (12 months mean)	> 87%	95%	95%
POD Severe Gales (24 months mean)	> 83%	96%	93%
POD Heavy Snow (24 months mean)	> 83%	96%	91%
FAR Heavy Rain (12 months mean)	< 28%	17%	15%
FAR Severe Gales (24 months mean)	< 32%	8%	18%
FAR Heavy Snow (24 months mean)	< 32%	6%	11%
Forecast Accuracy			
Tmax % Within 2°C (12 months mean)	77%	81%	79%
Tmin % Within 3°C (12 months mean)	87%	89%	86%
Precipitation % Correct (12 months mean)	77%	85%	85%
Forecast Improvement Score	> 0	2	7
RC/MCDEM Survey Score (December Survey)	85%	88%	86%
Systems Performance & Capability Investment			
Radar % Uptime (12 months mean)	97%	99.7%	98.6%
AWS % Uptime (12 months mean)	98%	99.6%	99.0%
Forecasting Capability Investment (past 12 months)	> 5.0%	6.4%	6.6%
Observing Capability Investment (past 12 months)	> 5.0%	3.4%	7.0%
% Experienced Forecasters	> 40%	41%	47%
ISO Audit Non-Conformances Remaining Unresolved > 2 months (past 12 months)	≤ 1	0	0
CAA Audit Non-Conformances (past 12 months)	<1	0	0
Social & Environmental Sustainability			
Accidents Lost Time (hrs in past 12 months)	< 40 hr	0	0
Unique Website Visitors (000s) (avg daily for June)	1,700	1,731	1,277
WMO Staff Participation (past 12 months)	10	12	11
Staff Community Service Days (past 12 months)	65	18	27

Key Performance Indicators
Non-Financial (cont.)

NOTES ON THE NON-FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description/Calculation
Probability of Detection (POD)	The ratio of correctly forecast events to actual events observed.
False Alarm Rate (FAR)	The ratio of forecast events that didn't occur (false alarms) to the number of events forecast. The POD and FAR for heavy rain events is reported as a 12-month running mean. For heavy snow and high wind events the POD and FAR are reported as a 24-month running mean, reflecting the relative infrequency of these events.
The RC/MCDEM Survey Score	An aggregate score across a set of survey questions addressing accuracy, timeliness and usefulness of our forecasts and warnings. The survey is run annually, targeting the Ministry of Civil Defence and Emergency Management and all Regional Councils.
Tmax (Tmin) % Within 2 (4)°C	The percentage of maximum (minimum) temperature forecasts for tomorrow that verify within 2 (4)°C of the observed temperature, averaged over 34 urban sites across New Zealand.
Precipitation % Correct	The percentage of forecasts of precipitation (yes/no) for tomorrow that verify against observed precipitation, averaged over 34 urban sites across New Zealand.
Radar % Uptime	The percentage of time that radar data is available within MetService's Kelburn office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available within MetService's Kelburn office, averaged over all AWS sites.
Forecasting Capability Investment	The total expenditure on our New Zealand weather forecasting capability expressed as a percentage of core revenue. It reflects activities such as R&D in modelling and forecasting techniques, professional training and development of forecaster tools.
Observing Capability Investment	The total capital investment in our New Zealand weather observing network expressed as a percentage of core revenue.
% Experienced Forecasters	The percentage of MetService forecasters with 10 years or more of operational experience. This is the typical amount of experience required before a forecaster is capable of playing a senior role in the forecasting team.
Forecast Improvement Score	The change over the past five years of an aggregate POD score. The aggregate score is the mean of the POD scores for heavy rain, snow and wind warnings, weighted by sample size, and taken over a three-year running mean. It reflects the long-term improvement in warning performance resulting from our investment in forecasting and observing capability.
ISO Audit Non-Conformances	The number of non-conformances remaining unresolved for longer than two months arising from ISO audits in the past 12 months.
CAA Audit Non-Conformances	The number of non-conformances arising from CAA audits in the past 12 months.
Workplace Accidents Lost Time	The number of hours of time lost to workplace accidents in the past 12 months.
Unique Website Visitors	The number of monthly unique visitors to metservice.com, averaged over the past 12 months.
WMO Staff Participation	The number of employees who have taken part either in a WMO Working Group or formal meeting in the past 12 months.

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