ANNUAL
REPORT 2014

MetService MetraWeather

CREATING WEALTH FROM WEATHER

222,812,086

PAGEVIEWS ON METSERVICE.COM

43.6%

GROWTH IN METSERVICE TWITTER FOLLOWERS

54

COUNTRIES WE ARE ACTIVE IN

SEVERE WEATHER VIDEO VIEWS

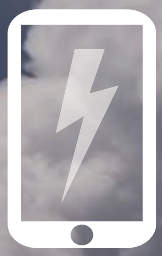
221,300

NATIONALITIES WORKING AT METSERVICE, METRAWEATHER AND METOCEAN

>25

560,640

NZ WEATHER RADAR SCANS



251,287

APP DOWNLOADS

742

ROUTINE FORECASTS PRODUCED MANUALLY PER DAY GLOBALLY

109

METEOROLOGISTS

WORKING FOR US GLOBALLY

DAYS ON WMO BUSINESS

256,960

MODEL RUNS ANALYSED

HOW WE CREATE VALUE

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How we use funds obtained from financing and generated through operations and investments to create value.

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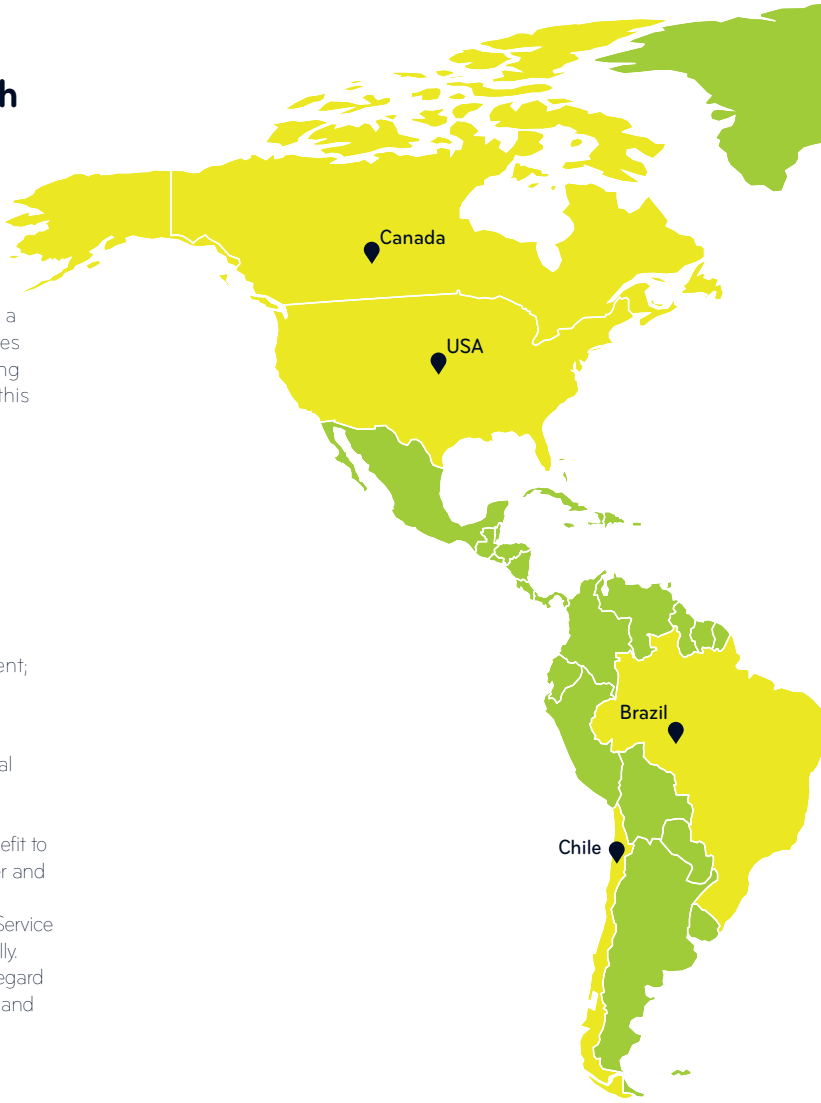
THE WORLD OF METSERVICE, METRAWEATHER AND METOCEAN

Meteorological Service of New Zealand Ltd operates as a commercially successful, international organisation with more than 260 employees in New Zealand, Australia, Asia and Europe.



As MetService within New Zealand and exporting to the world as MetraWeather, we combine scientific rigour with a drive to create ground-breaking new products and services that redefine the weather industry – delivering empowering foresight and creating wealth for our customers. We call this 'powerful weather intelligence'.

Our vision

To be recognised as the global leader in local weather.

Our purpose

To create wealth from weather for New Zealanders, our shareholders and our customers.

What we believe in

Adaptability and flexibility; the power to shine; achievement; everyone is valued; freedom to enjoy life.

Our corporate objectives

- To make a return on investment exceeding our cost of capital through the development of high-margin revenue streams.
- To enhance the safety and wellbeing of New Zealanders, protection of property and infrastructure, and economic benefit to the nation, through reliable and timely forecasting of weather and associated impacts.
- To develop new and innovative services that will enable MetService to grow as a leader in valuable weather services internationally.
- To operate in a socially responsible manner, with particular regard to MetService employees, the environment, the community, and our customers.

The MetService Group is active in these countries.

CHAIRMAN'S & CEO'S REPORT

We are pleased to report that this year has been one of our most successful with a 13% increase in pre-tax profit to $4.25m. This has been accompanied by a 7.9% increase in operating revenue to $45.6m, the third highest year-on-year increase in our 21 year history as a State-Owned Enterprise (SOE). These outstanding results are due to the expertise of the people in our organisation and we recognise them as the most valuable driver of our success.

To remain competitive, we will continue to focus on growth while responding to the rapidly-evolving technological requirements of our customers. Exporting meteorological expertise to the world under the MetraWeather brand enables us to maintain one of the best blue-chip client lists of any Kiwi company, thereby creating wealth for our stakeholders and ensuring a continuity of investment to keep New Zealanders safe.

EBITDA ($000)

Operating profit before one-off adjustments ($000)

Book value of assets ($000)

Our Finances

Globally, all of our sales business units experienced year-on-year growth. This, combined with careful management of expenses, has resulted in a full-year pre-tax profit of $4.25m, 7.4% above our target for the year and 13% above last year's pre-tax profit result.

MetService's EBITDA for the 2013/14 year was up $1.3m to $11.8m ($10.5m in 2012/13). Operating Revenue was $45.6m, up from $42.3m in 2012/13, and Net Surplus was $2.6m.

International export value grows

Exchange rates had a major impact this year so our international operations had to work particularly hard for their revenue results. For example, in Australia, 25% year-on-year growth in local revenue only translated to 11% growth in NZ dollars. Despite this challenge, all international regions recorded revenue increases, with a number of new customers won from key competitors and many successes driven by the value of expanded local commercial meteorological capabilities. With customers throughout the Asia/Pacific region and across to South America, aviation revenues grew by 9% on the previous year, due to the addition of new services in a number of major contract renewals.

Both our EMEA (Europe, Middle East, Africa) and Asia business units have increased their in-market capability this year. For EMEA, the focus has been on enhancing sales, technical and client support, and transition to new infrastructure. In the case of Asia, the focus has been through new in-market partnerships allowing business to expand into eight countries. Additional specialist technical support now exists in-region for clients, together with some key partnership arrangements with local companies.

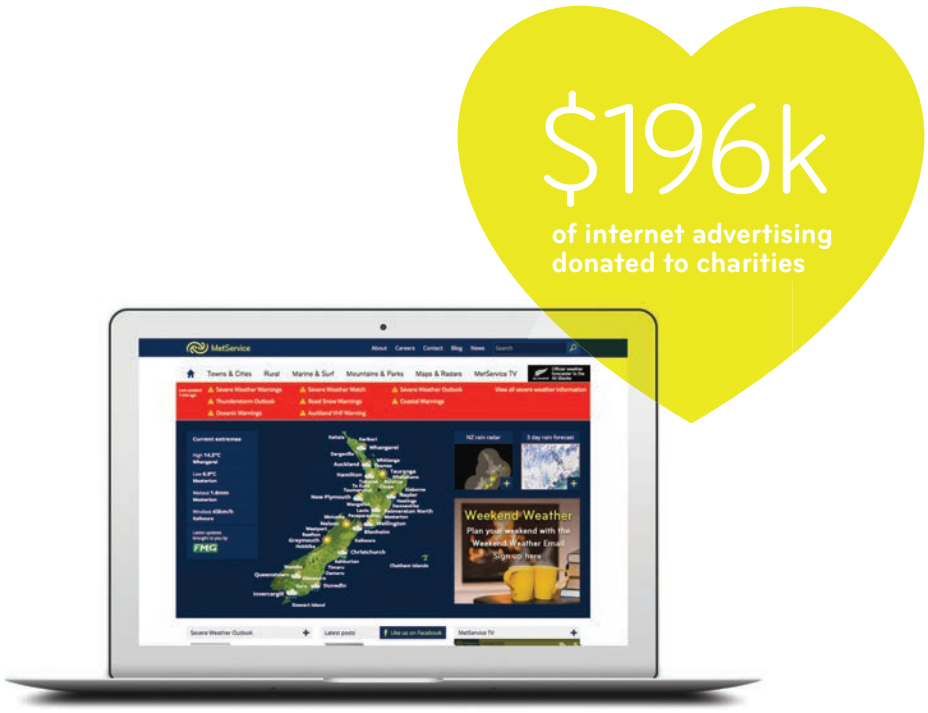
15.1 % Return on Equity 2013/14

39.7 % Dividend Payout 2013/14

15.4 % Return on Funds Employed 2013/14

7.9 % Revenue Growth 2013/14

11.2 % Operating Margin 2013/14



>222m

Page views on metservice.com

Top 5

For local commercial website brands, MetService typically ranked in the top five most visited website brands in NZ over the last 12 months*

Drive to digital for NZ consumers

Our Interactive operation delivered 28% year-on-year growth, fuelled by ongoing product innovation driving uptake. App downloads grew by 45%, metservice.com page impressions by 8%, and mobile website m.metservice.com page impressions by over 100%.

Revenue from sales of advertising and sponsorship on our websites, apps and video weather broadcasts, enables us to develop and maintain world-leading digital information tools that are greatly valued by New Zealanders and tourists.

We are also committed to the donation of digital advertising value to not-for-profit organisations. This year we donated $196,338 worth of inventory on metservice.com to a wide range of causes, including Child Cancer Foundation, Plunket, Women's Refuge, GVN Foundation, NZ Red Cross, Auckland City Mission, Life Flight Trust, Forest & Bird and World Wide Fund for Nature.

*source: Nielsen Online Ratings July 13–June 14

Our Networks

Observations and numerical data are at the heart of delivering value from weather, at both ends of the decision process. The decisions being made – from routing of commercial jets and issuing severe weather warnings through to knowing when to go skiing or choosing the route to drive to work – dictate the quality, timeliness and reliability of information required. This year saw considerable investment in information assets across our business.

Contributing to the world's weather infrastructure

MetService's land-based observing network stretches from Raoul Island in the Kermadecs southward to Campbell Island and Enderby Island in the Subantarctic, and from Puysegur Point on the southernmost point of Fiordland eastward to the Chatham Islands. Providing the observations from this network to the World Meteorological Organization (WMO), fulfils an important part of New Zealand's international obligations.

Under WMO's World Weather Watch, our observations join a steady flow of data transmitted worldwide for forecasts and planning purposes. It is a unique system that connects observing stations to national, regional and global centres, 24 hours a day in real-time. It delivers data from the land surface and from space for forecasts and warnings for end-users and the public. Our observations end up in the forecasting models used by weather services and climate researchers around the world – including MetService and the National Institute of Water & Atmospheric Research (NIWA).

Every minute counts for aviation

New automatic weather stations were installed at Auckland, Christchurch and Wellington International Airports during the year, and by October 2013 all three airports had converted to automated aviation weather reports. New Zealand's Civil Aviation Authority has commented favourably on the smooth transition to the new system, which enables weather observations to be delivered more frequently and uses standardised international formatting to support automated data delivery to aircraft cockpits.

At Ohakea Air Force Base, a new wind sensing system has been installed to provide accurate threshold wind speed and direction information, required for the air traffic controllers and pilots at the field. And at Whenuapai, the latest atmospheric sounding system is now being used to observe wind speed and direction, pressure, humidity and temperature at very high altitudes.

On watch from the Far North to the Deep South

MetService increased its weather radar network to nine with the commissioning of the Northland radar in June 2014. This radar has already proven its worth, providing vital weather data that helped Civil Defence teams in the area be better prepared when significant storms hit the region in the same month. This is the fifth of five new radars installed over the last six years, providing forecasters with a much more detailed, real-time view of the weather over New Zealand. It also supports enhanced short-range forecasts and an extension of MetService's severe thunderstorm warning service. The Te Huia site near Kaeo is ideal, having an expansive view of the Far North region, and has been made possible through the support and close involvement of local Iwi.

Also in June, Southland's remote Puysegur Point observing station was upgraded to a new satellite-reporting mSTAR automatic weather station, which has proven to be very reliable in remote lightning-prone locations.

High-speed ahead for model data

Ultra-fast delivery of model information forms the basis of an expanded infrastructure programme of work that has recently been completed in our UK office. This has been a vital step in strengthening our capability to handle the rapidly-expanding volume of global model data that underpins our products and services, both in New Zealand and overseas.

99.98%

metservice.com uptime 2013/14

>12m
nm2 **Area of GMDSS Forecasting Responsibility***

99.2
% **Weather Radar Network Availability**

99.5
% **Automatic Weather Station (AWS) Network Availability**

Our Environment

The environment, and our impact on it, is an important consideration for MetService. With an observing network stretching well beyond the borders of our two main islands, and an ever-expanding international presence, the scope of environmental factors we take into account is also growing. While some areas of our business are already well advanced in this area, we are committed to expanding our awareness, management and monitoring of environmental impacts.

Measuring the elements at their wildest

One of the most crucial aspects of our observing network is locating equipment where it can accurately detect the most important weather variables. Weather radars ideally need an unimpeded horizontal view of the geographical area we want to cover, but not too elevated otherwise the beam looks above the weather at longer ranges.

As well as nine weather radars, MetService maintains more than 189 automatic weather stations throughout New Zealand and her offshore islands. Locations include mountain tops, the side of the road (and in the road surface itself), farmland, conservation land, on top of urban buildings, and even aboard ships. The most important factor is that the location is representative of the geographical area being covered, yet accessible for maintenance. These sites must then be visited routinely by our team of highly-trained engineers for maintenance and calibration to international standards.

Part of selecting a site for any observing equipment is that it fits within local District Plans under the Resource Management Act, and so Resource Consents must be obtained. Other consents and impact studies are undertaken as necessary – such as building consents, archaeological and geological surveys and cultural and visual impact assessments.

Apart from specialist meteorological sensors and components that must be imported, all equipment and labour is sourced in New Zealand; radar towers are locally manufactured and weather station masts are purpose-built by MetService's own engineers. Weather radar data processing, communications and back-up power hardware are all fitted into locally-made portable buildings.

*Global Maritime Distress and Safety System METAREA 14: from 160°E to 120°W and from the Equator to the Southern ice edge (approx. 64°S). We delegate the preparation of forecasts for the area above 25°S to Fiji.

92%
Probability of Detection (POD) of severe gales, 15% False Alarm Ratio (FAR)

100%
Probability of Detection (POD) of heavy snow, 0% False Alarm Ratio (FAR)

93%
Probability of Detection (POD) of heavy rain, 17% False Alarm Ratio (FAR)

Our Expertise

MetService has an international reputation for quality, meteorological expertise, experience and dedication to operational excellence – including being the first National Meteorological Service to gain ISO9001 accreditation. It is this reputation, and the organisational focus behind it, that underpins our ability to compete successfully overseas. Our expertise is spread throughout our organisation, a unique capability highlighted in this year's development activities.

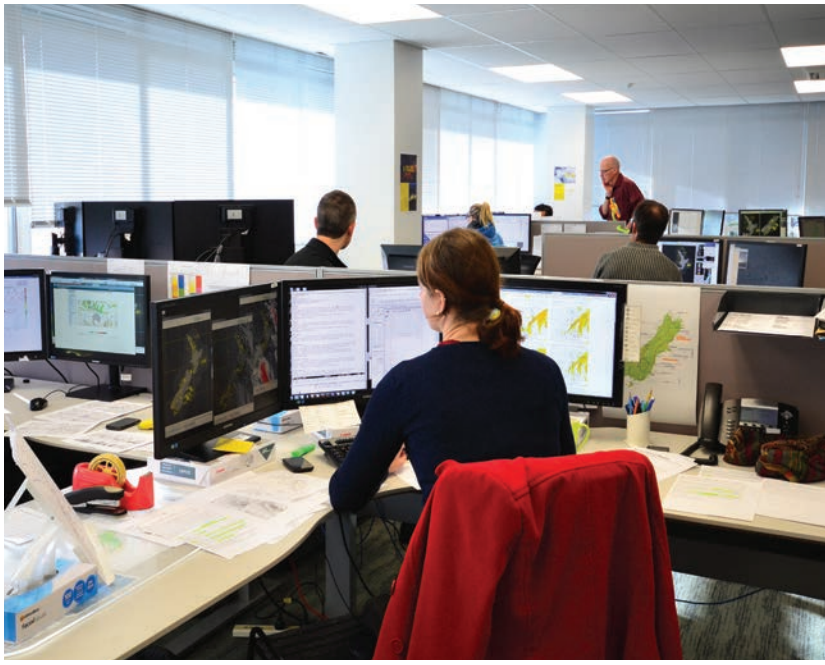
MetService and MetOcean join forces for international growth

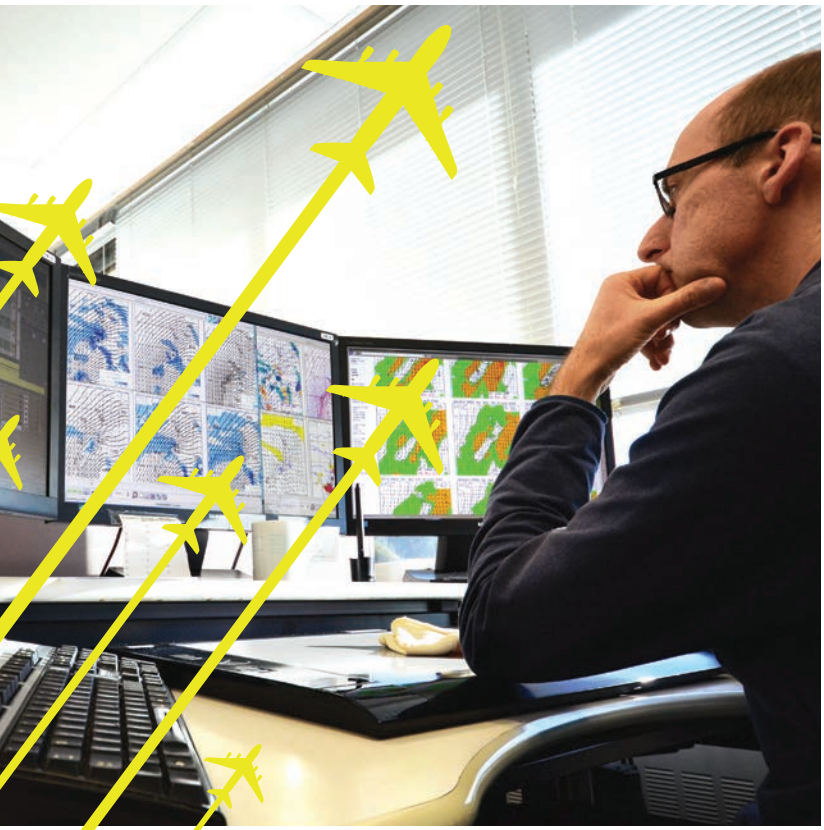
In August 2013, MetService invested in a 49% shareholding in MetOcean Solutions Limited, a leading New Zealand oceanographic services company helping maritime and offshore industry clients to improve decision making and maximise operational efficiencies. By focusing on customised forecasting of local oceanographic features and complexity, MetOcean's services perfectly complement those of MetService's own forecasting and R&D teams. In April this year, our international subsidiary MetraWeather exhibited jointly with MetOcean at APPEA, the southern hemisphere's leading oil and gas event, in Perth Australia. We also celebrated the launch of a new forecasting tool for offshore engineers, and winning the first contract to deliver a blend of meteorological and oceanographic services from both organisations.

A world first for weather news

Our Weather as a Service unit was formally established in February of this year, aimed at providing prepared weather content in a variety of forms to media companies who may not have the resources or infrastructure to run a full graphics presentation system. The new unit leverages our 10+ years of experience working with broadcasters around the world to deliver compelling weather stories and animations through our Weatherscape XT system, along with the capabilities developed from running our own MetService TV channel.

In June, the unit launched MetraWeather ClipStore, the world's first online content portal dedicated to weather graphics. ClipStore enables media outlets of all sizes and formats to purchase and download high-quality, ready-to-play weather clips for broadcast, online and mobile platforms.





109
WMO Qualified Meteorologists and Meteorological Technicians

>256k
Model Runs Analysed

New ways to look at aviation weather

A major project commenced late in the previous financial year for the development of new ways to visualise weather information for aviation forecasters and customers. New technology is now being rolled out to all of our offices, with development effort currently focused on integration with our aviation forecast production systems.

MetService has also played a significant role in assisting the Civil Aviation Authority with 'New Southern Sky', New Zealand's National Airspace and Air Navigation Plan, released by the Minister of Transport in June 2014.

Made-to-measure weather information

This year saw major new developments across our range of digital offerings in New Zealand, with the launch of new smartphone apps for farmers, boaties and skiers; a new version of our popular towns and cities app for Windows phone and tablet platforms; and a new Mountains and Parks section (including new-format mountain forecasts) on metservice.com.

Close commercial partnerships have been instrumental in bringing these new services to the public. MetService worked closely with New Zealand's leading rural insurer to design MetService's FMG Rural Weather app – right down to the images and video forecasts featured in the app. The MetService Marine app has been designed in partnership with Maritime New Zealand, and the MetService Snow Weather app includes vital information about road and ski run conditions – including web cams – provided by the ski fields themselves. New Mountain forecasts, launched concurrently on the website and in the nation's newspapers, were made possible by an expanded contract with the Department of Conservation (DOC) and developed jointly by the two organisations.

Other improvements to our online services include new traffic webcams for Auckland, Wellington and Christchurch on our mobile-friendly website, m.metservice.com. Our focus on being first with new ways to communicate with the public, saw updates to the home page of metservice.com to ensure the most up-to-date weather information is placed up front for website visitors.

Leading the way in meteorological training

MetService trains a majority of our own forecasters to WMO standards (see Our People on the following page for more about this), and has developed training capabilities that are highly respected internationally. At a recent meeting of the WMO Commission for Aeronautical Meteorology, our Meteorological Capability Manager, Chris Webster, was designated as co-chair of the Commission's Working Group on Education, Training and Competencies. Chris also contributes more widely to international best practice in meteorological training as a member of the WMO Executive Council's Panel of Experts on Education and Training.

Our People

At the very heart of MetService's expertise are the skills, knowledge and dedication of our people. Traditionally the main employer of meteorologists in New Zealand, today we have an international team of experienced scientists and other skilled technicians creating value from weather across almost all areas of our business. We continue to place priority on developing our meteorologists to the highest international standards, recognised by WMO, and providing a collegial and motivating environment in which everyone contributes to our collective success.

A shared commitment to values

At the start of the financial year we embarked on a programme to discover the personal values that drive the motivation, satisfaction and well-being of MetService employees, and form the underlying culture of our organisation. We identified and developed a common language for the five key values shared by the majority of our employees (see 'What we believe in' on page 2 of this report). We have now formalised them as MetService Values In Action – the behaviours for which we hold each other accountable. A Values Action Group has been established, made up of volunteers from across the business, to lead the implementation of a range of values-based initiatives.

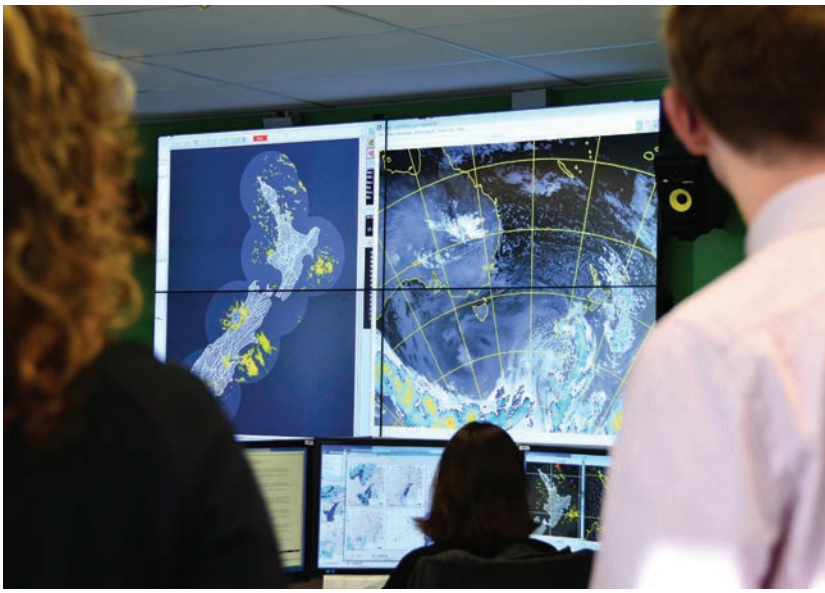
Growing forecasters of the future

In March we celebrated the graduation of our seven 2012 Meteorologist Course post-graduate trainees, who have met the requirements to be certified as fully qualified WMO meteorologists.

Accepting an individual into our meteorologist training programme means we're prepared to make a substantial investment in that person's professional development, and we believe they will complete the programme successfully to become a skilled meteorologist. We attend career fairs at four of New Zealand's major universities to talk to budding future meteorologists, a crucial part of attracting the high calibre of applicants we require.

Having met the stringent criteria for acceptance into the programme, each of our trainees spends 41 weeks in formal training at our head office, comprising a mixture of meteorological theory and forecasting practice. Alongside this in-house training, they also study for, and gain, either a Post Graduate Certificate or Post Graduate Diploma in Meteorology through Victoria University of Wellington (VUW).

Our 2014 Meteorologist Course commenced in January, with 10 new graduates accepted as trainees. Needing additional forecasters before this course concludes, earlier this year we recruited three candidates with university qualifications in meteorology, but no prior forecasting experience. They have all successfully completed a four-month training programme and are now working as operational forecasters.



264

Full Time Equivalent Employees as at 30 June 2014

Further professional development is also important to maintain and increase the value being delivered in many roles at MetService. In May, our United Kingdom-based EMEA lead forecaster Byron Drew became one the first meteorologists to be accredited under the Royal Meteorological Society's new professional accreditation scheme.

Recognising the spirit of MetService

MetService's longest-standing recognition award, the Henry Hill Award, was received by lead electronics engineer Gordon Saggers in recognition of his contribution to improving the output of our Observation and Engineering team, along with his dedication and passion for accuracy, reliability and innovation.

The significance of the Award is embodied in the qualities of its namesake, Henry Hill. Henry was the most senior meteorologist in our New Zealand forecasting operation 30 years ago and was renowned for his passion for quality and good science. The award is not just for meteorologists and is only awarded when merited, with previous recipients from various parts of the organisation. This is very much in keeping with the spirit of MetService today.

>43

% growth in Twitter followers to 18,363 at 30 June 2014

>35

% growth in Facebook fans to 33,929 at 30 June 2014

Our Relationships

A core strength of our company is the strong relationships we are building with partners and stakeholders. Collegiality is at the heart of scientific endeavour; close partnerships with key individuals and organisations in our industry are helping us drive innovation and mutual value. By proactively and openly engaging with our owners, customers and influencers, we aim to retain and increase the support they give to – and value they gain from – our success.

The 'go-to guys' for weather information

As the national meteorological and weather warnings service, our most important customers are the public of New Zealand. In this rapidly-evolving digital age, ways to get information are many and varied. Having a sharp focus on communication has possibly never been more important, as we work to ensure New Zealanders are receiving the weather information they need to stay safe and enjoy life, wherever they are. MetService continues to invest significant effort in both direct-to-consumer communication and share of voice in the mainstream media.

During the year our social media following grew rapidly, and we attended a number of shows and festivals, all with the aim of face-to-face interaction and feedback from members of the public. A number of our meteorologists gave talks to schools, clubs and other interest groups, at our Kelburn office and other venues. Our MetService TV weather broadcasts were viewed on our website, Face TV and several news websites more than 740,000 times over the past year – including a peak of 25,848 views on 14 March 2014.

Building on the role of Media & Communications Meteorologist, we have created a supporting Media shift that rosters selected forecasters to provide additional proactive weather commentary for the news media. This gives all our forecasters the opportunity to hone their communication skills and engage with media and the public more directly – and ensures we are more available than ever before. Our aim is to be everyone's preferred source of weather information and comment, in keeping with our role as New Zealand's weather authority.

Partners in meeting national and international obligations

Our contract with the Minister of Transport is the foundation of New Zealand's public safety weather service, setting out the information that is essential for New Zealanders to have for their personal safety in severe weather events. Another key aspect of this contract is to ensure New Zealand is meeting its obligations to the WMO, the specialised agency of the United Nations for meteorology (weather and climate), operational hydrology and related geophysical sciences. We work closely with NIWA to perform this function.

In addition to data contribution and representation at WMO conferences and committees, MetService plays a special role on behalf of WMO in the South Pacific region.

Our Regional Specialised Meteorological Centre (RSMC) leads the WMO's Severe Weather Forecasting and Disaster Risk Reduction Demonstration Project, and runs MetConnect Pacific, a custom website that provides severe weather guidance over the tropical South Pacific for forecasters in Samoa, Vanuatu, Solomon Islands, Fiji, Kiribati, Tuvalu, Tonga, Niue and the Cook Islands. This website was launched in 2009 and has very recently had a major upgrade. MetService staff also provide training on the use and communication of this information and, as a Tropical Cyclone Warning Centre, act as backup for the main warning and forecasting responsibilities of the RSMC in Nadi, Fiji, should that centre temporarily shut down or be cut off by adverse weather. We also take over primary warning responsibility should a cyclone move south of latitude 25°S.

Other important contributions to WMO activities this year included providing technical expertise to the assessment of data management programmes at other National Meteorological Services, and training expertise to the Executive Council Panel of Experts on Education and Training.

In February we were privileged to co-host, with Victoria University of Wellington, the delegates from WMO's Antarctic Task Team and Executive Council Panel of Experts on Polar Observations, Research and Services – including the President of WMO, Mr David Grimes.

Recognition of new alumni

MetService's Alumni Programme was established in 2011 to recognise those former employees, graduates and contributors whose professional stature and association with MetService continues to benefit the meteorological community. This year we welcomed three new alumni:

Keith Mackersy retired from MetService in 2006 after 46 years as a meteorologist and manager. As meteorological advisor to the Civil Aviation Authority, Mr Mackersy's understanding of our business has been instrumental in ensuring that our services to aviation are highly regarded.

Dr James Renwick started his career in 1978 as a MetService forecaster before expanding his field into climate and atmospheric dynamics. Since that time he has become an acknowledged expert on Southern Hemisphere climate variability and change, appointed last year to the international committee that provides scientific guidance to the World Climate Research Programme. MetService Chief Executive, Peter Lennox, in his role as New Zealand's Permanent Representative to WMO, also engages Dr Renwick as a climate consultant.

Rod Stainer retired from MetService in January 2010 after 36 years of service. Mr Stainer is widely respected for his knowledge and understanding of the requirements of modern national meteorological services – and their role in meeting New Zealand's international obligations – which continue to be of great benefit to MetService as we chart our future course through the rapidly-changing field of meteorology.

Supporting our national science community

MetService is New Zealand's oldest continuous scientific institution and our involvement in the national science community is a long-standing one. As the nation's largest meteorological organisation and a significant employer of science and mathematics graduates, we have also made a commitment to increase our support of other member organisations in this community.

During the year we stepped up our sponsorship of the New Zealand Meteorological Society, alongside our organisational involvement. All of our meteorologists are now members of the Society, with one elected to the committee at the November AGM. We also became a corporate member of the Association of Women in Science (AWIS) and were a sponsor of their April conference.

Looking ahead

Since its inception as a State-Owned Enterprise in 1992, MetService has become a leader in its field.

The core of the MetService Group's success is the expertise and judgement of its 109 WMO-qualified meteorologists, supported by highly-skilled mathematicians, engineers, IT developers and technicians. Together, our team delivers expert professional judgement, supported by cutting-edge data and information management systems, to enable our customers to effectively address weather-related risk.

Our people are the power behind MetService and we thank our staff, Executive Team and Board members for their achievements and dedication throughout the year. We also thank James Koh, who completed his term on our Board in April 2014, for his contribution over the past six years and welcome Anthony Howard as our newest director.

Commitment to continued investment in the people, technology and information required to maximise opportunities on the global stage based on this expertise, is essential to maintain and grow our business. Commercial success enables MetService to contribute to New Zealand's excellent reputation for technological innovation, and to create real value for New Zealanders, by providing 'powerful weather intelligence' to customers and partners around the globe – while continuing to provide world-class public safety weather services at home.

Sarah Smith
Chairman

Peter Lennox
Chief Executive

Board of Directors

Sarah Smith
Chairman

As Chairman, Sarah Smith brings to the MetService Board her extensive business and governance experience in both the private and public sectors. She has held key financial and business development roles in a variety of businesses in New York and New Zealand. Sarah was made a Fellow of the Institute of Directors in New Zealand in 2005.

Greg Cross
Deputy Chairman

Greg Cross is an experienced entrepreneur, CEO and Company Director. He has extensive experience in growing international companies, export growth, capital raising, mergers and acquisitions, and corporate governance across a wide range of companies operating in New Zealand, USA and Asia.

Carlos da Silva
Audit and Risk Chairman

Carlos da Silva is a Chartered Accountant, professional director and business advisor. He brings to the Board a wealth of financial management and governance experience. He holds a number of board and trustee roles in the farming, tourism, property, IT and fashion industries, and is a Fellow of the Institute of Directors in New Zealand.

Carolyn Harkess

Carolyn Harkess has held senior leadership positions in sales and marketing, manufacturing and retail industries in New Zealand and internationally. She brings to the Board experience in understanding and managing international markets, assisting organisations in their strategic development, and driving improvement in bottom line results. She is a member of the Institute of Directors in New Zealand.

The Board closely monitors financial and non financial performance against the annual plan and forecasts of the Group.

Te Taru White

Te Taru White has over 30 years' senior executive experience across both public and private sectors in the mining, health and indigenous social, cultural and economic development fields. He brings to the Board a science background combined with extensive cultural development and governance experience. He currently runs his own consulting business specialising in international indigenous development opportunities.

Judy Kirk

Judy Kirk is an experienced director with a wide knowledge of business, and runs her own consultancy providing strategic advice to organisations. Judy served as President of the New Zealand National Party from 2002–2009, is a Justice of the Peace and was appointed to be an Officer of The New Zealand Order of Merit in the Queen's Birthday Honours 2011 for services to the community.

Anthony Howard

Anthony Howard has great depth and breadth of expertise in strategy development, go-to-market planning and execution, corporate governance, corporate restructuring, M&A, capital raising, company valuations, business strategies and planning. He has particular expertise and passion for facilitating a strong and constructive working dynamic between investors and owners. He is a member of the Institute of Directors in New Zealand.

Governance Overview

The Directors are pleased to present an overview of the Company's main governance practices.

Shareholders

Meteorological Service of New Zealand Ltd (MetService) is established under the State-Owned Enterprises Act 1986 (SOE Act), and incorporated under the Companies Act 1993. As a State-owned enterprise (SOE), MetService is wholly owned by the Crown, represented by two Shareholding Ministers – the Minister of Finance and the Minister for State Owned Enterprises.

Each Minister is responsible to the House of Representatives for the performance of the functions delegated to them under the SOE Act. In turn, the MetService Board is responsible to the Shareholding Ministers for ensuring effective corporate governance across the MetService Group. The Ministers' expectations are stated in the Owner's Expectations Manual (published on Treasury's website), and in the letter of expectations sent to each SOE.

Shareholder communication

MetService provides the Shareholding Ministers with an annual business plan; quarterly reports outlining performance against objectives set out in the Statement of Corporate Intent (SCI); half-yearly accounts; and an annual report including audited annual accounts. The SCI and annual reports are tabled in Parliament annually. Shareholding Ministers are also kept up-to-date on a regular basis as part of the 'no surprises' policy.

The Board

The MetService Group's Board may comprise up to nine Directors, all of whom must be non-executive and independent. As at 30 June 2014, the Board comprised seven Directors. Each Director is considered to be independent, in that each is independent of the management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the Directors' unfettered and independent judgement.

The Shareholding Ministers appoint Directors, and any new Directors are appointed under the process described in the Owner's Expectation Manual. Anthony Howard was appointed as a new Director in April 2014.

The Chairman takes the leadership role in the conduct of the Board and its relationship with the Shareholding Ministers and other stakeholders. The Chairman also has a strong working relationship with the Chief Executive. The Chairman has no external commitments that conflict with the Chairman's role.

The Board's role

The Board is responsible to the Shareholding Ministers for directing and monitoring the management and affairs of the MetService Group. The MetService Group is comprised of Meteorological Service of New Zealand Ltd, MetraWeather (Australia) Pty Ltd and MetraWeather (UK) Limited. Under the SOE Act, the MetService Group's principal objective is to operate as a successful business, including:

- to be as profitable and efficient a business as comparable private sector businesses
- to be a good employer; and
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavoring to accommodate or encourage these when able to do so.

The Board establishes objectives and sets strategy to achieve those objectives. The Board, in the context of the approved policy, risk and compliance framework within which the Group operates, monitors those strategies. The Board has delegated the day-to-day management to the Chief Executive.

The Board is presented annually with a three-year plan, which is consistent with the agreed strategic objectives of the MetService Group, for approval. The Board closely monitors financial and non-financial performance and compares performance to the annual plan and forecasts at its regular meetings.

Access to information

In circumstances that warrant additional assurance, in order to assist in carrying out their responsibilities the Board as a whole, and Directors individually, may request independent and additional advice at the Company's expense. Such requests are made in consultation with the Chairman and facilitated through the Company Secretary.

Board meetings

In the last financial year, the Board met 12 times (together with additional meetings as required). The Board also holds an annual strategic planning session that considers strategic issues in conjunction with the Chief Executive and the Executive Team.

The Chief Executive, Deputy Chief Executive, Chief Financial Officer and Company Secretary attend all Board meetings. Other managers attend Board meetings in relation to matters specific to their areas of responsibility. Directors have other opportunities, including site visits, for contact with other employees.

Board committees

The Audit and Risk and Remuneration Committees assist the Board in discharging its responsibilities. Both Committees have formal charters, approved by the Board, setting out their respective responsibilities.

The Board also establishes ad-hoc committees as required to deal with specific issues.

All Directors are entitled to attend Committee meetings and copies of all meeting papers and minutes are available to all Directors. The Chief Executive attends committee meetings. The Audit and Risk Committee also holds a 'director-only' session , which provides an opportunity for candid interaction with the external auditors to ensure a robust and independent audit process.

Audit and Risk Committee

The Audit and Risk Committee, chaired by Carlos da Silva, comprises four Directors and holds up to four meetings a year. In addition, there is provision to hold additional meetings as required. The Audit and Risk Committee assists the Board in discharging its management, accounting and financial reporting practices, including:

- assisting the Board to meet its accounting and reporting responsibilities under the Companies Act 1993, Financial Reporting Act 1993, and related legislation
- overseeing and reviewing the quality of internal and external audits
- ensuring the integrity of internal financial reporting
- ensuring the Group has the framework and methodologies in place that will ensure all strategic and business risks are thoroughly managed
- overseeing and reviewing the performance of the health, safety and wellbeing strategy; and
- advising the Board in relation to governance, performance and strategic activity.

Remuneration Committee

The Remuneration Committee, chaired by Sarah Smith, comprises three Directors and schedules three regular meetings per year. There is provision for additional meetings to be held to deal with other matters as they arise.

The Committee assists the Board in fulfilling its oversight of good employer and human resource governance responsibilities, including:

- overseeing and reviewing the performance of the human resources strategy for the MetService Group
- reviewing, and recommending to the Board for approval, the remuneration policy for the Group, consistent with the strategic plan
- reviewing, and recommending to the Board for approval, remuneration arrangements and performance measures and targets for the Chief Executive; and
- reviewing the performance of the Chief Executive against performance measures and targets.

Risk management

Management of risk is a key focus of the Board, as it is crucial to the protection of shareholder value. The MetService Group has in place a comprehensive risk management and internal control framework to identify and treat all key strategic and business risks.

The Board approves and monitors policy and processes in key risk areas. The Board has approved a comprehensive delegated authority structure that clearly states actions reserved to itself and those delegated to management. The Board is also required to approve all capital expenditure and operational expenditure that exceeds the Chief Executive's delegated authority. Any such request for approval is required to reflect a formal consideration of the relevant risk and prioritisation issues.

The following specific actions are taken:

- a Group risk profile that considers the key risks, and the management actions to treat such risks, is updated throughout the year
- the Audit and Risk Committee periodically reviews the key risk profile; and
- internal controls are assessed in line with a risk-based internal audit plan, with the outcomes considered by the Audit and Risk Committee.

Integrity standards

The Board supports the principles set out in the Codes of Proper Practice for Directors as published by the Institute of Directors in New Zealand. Under the Code, Directors are expected to:

- act with honesty and integrity
- comply with the law
- avoid conflicts of interest
- use Company assets responsibly and in the best interests of the Company
- be responsible and accountable for their actions; and
- act in accordance with their fiduciary duties.

Conflicts of interest

The Companies Act 1993, MetService's Constitution and Board Charter, and the Owner's Expectation Manual, deal with the disclosure of interests by Directors and with participation and voting at Board meetings where any such interests are relevant.

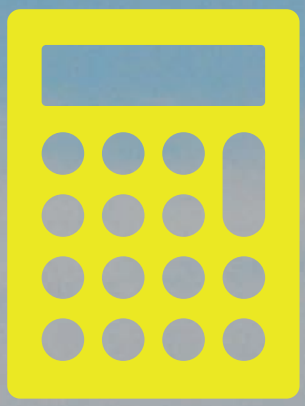
Directors are regularly requested to make general disclosures of interest, which are recorded in the Register of Interests and set out in the Statutory Information on page 46–47 of this report.

Governance best practice

The Board has confirmed that its corporate governance policies, practices and procedures are in accord with the Financial Markets Authority's Corporate Governance in New Zealand – Principles and Guidelines, in the material respects for which they are appropriate for an SOE.

Health and safety

Health and safety is a key priority for the Board. The Board supports the Good Governance Practices Guideline for Managing Health and Safety Risks produced by the Institute of Directors in New Zealand and the Ministry of Business, Innovation and Employment.



NUMBER CRUNCH

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2014

	Note	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Revenue		45,601	42,256	37,056	19,653
Dividends Received		–	–	–	8,000
Government Grants		46	55	38	30
Total Revenue and Other Income		**45,647**	**42,311**	**37,094**	**27,683**
Operating Expenses					
Employee Benefits Expense	4	21,893	20,443	18,313	14,610
Communication Costs		1,105	1,078	912	844
Data Acquisition Costs		2,174	2,224	1,811	1,712
IT Costs		1,789	1,805	1,721	1,555
Marketing Costs		1,026	1,094	476	165
Occupancy Costs		695	567	665	536
Operating Lease Expenses		1,273	1,140	1,044	919
Office Expenses		287	338	253	248
Professional Expenses		1,459	1,289	1,108	510
Other Costs		2,149	1,878	2,991	1,360
Depreciation and Amortisation Expense		6,716	5,849	5,884	4,032
Total Operating Expenses	3	**40,566**	**37,705**	**35,178**	**26,491**
Operating Profit		**5,081**	**4,606**	**1,916**	**1,192**
Financial Costs	5	939	860	941	868
Share of Profits of Jointly Controlled Entity	14	(104)	–	(104)	–
Profit Before Taxation		**4,246**	**3,746**	**1,079**	**324**
Taxation (Expense)/Credit	6	(1,676)	(1,024)	(630)	(275)
Net Profit Attributable to Equity Holders		**2,570**	**2,722**	**449**	**49**
Other Comprehensive Income					
Items that may be subsequently reclassified to Profit or Loss when conditions are met		–	–	–	–
Movement in Foreign Currency Translation Reserve		15	(1)	–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**2,585**	**2,721**	**449**	**49**

This statement should be read in conjunction with the notes to the financial statements.

Statements of Financial Position
as at 30 June 2014

	Note	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Equity					
Issued Capital	7	5,000	5,000	5,000	5,000
Foreign Currency Translation Reserve		(77)	(92)	–	–
Retained Earnings/(Accumulated Losses)		12,290	11,998	14,878	732
Total Equity		**17,213**	**16,906**	**19,878**	**5,732**
Liabilities					
Trade and Other Payables	8	4,858	5,108	4,530	3,315
Income Taxation Payable		504	–	544	–
Net Amounts Owing to Related Parties	17	–	–	–	3,382
Employee Benefits	10	1,312	1,185	1,234	1,112
Borrowings	12	3,000	–	3,000	–
Total Current Liabilities		**9,674**	**6,293**	**9,308**	**7,809**
Deferred Taxation	6	1,215	995	1,507	687
Provisions	11	490	483	490	483
Employee Benefits	10	144	165	144	165
Borrowings	12	14,000	15,000	14,000	15,000
Total Non Current Liabilities		**15,849**	**16,643**	**16,141**	**16,335**
TOTAL LIABILITIES AND EQUITY		**42,736**	**39,842**	**45,327**	**29,876**
Assets					
Net Amounts Owed From Subsidiaries	17	–	–	3,107	–
Cash and Cash Equivalents	23	1,623	1,637	828	982
Trade and Other Receivables	9	4,617	4,607	4,375	801
Inventories	13	369	527	369	527
Income Taxation Receivable		–	50	–	662
Total Current Assets		**6,609**	**6,821**	**8,679**	**2,972**
Property, Plant and Equipment	19	20,593	21,350	20,531	19,662
Investments in Jointly Controlled Entities	14	3,104	–	3,104	–
Investments in Subsidiary	16	–	–	1,332	–
Intangible Assets	18	12,430	11,671	11,681	7,242
Total Non Current Assets		**36,127**	**33,021**	**36,648**	**26,904**
TOTAL ASSETS		**42,736**	**39,842**	**45,327**	**29,876**

This statement should be read in conjunction with the notes to the financial statements.

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 19 August 2014.

S Smith
Chairman

C M da Silva
Audit and Risk Chairman

Statements of Changes in Equity
for the year ended 30 June 2014

GROUP 2014	Note	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2013		**5,000**	**11,998**	**(92)**	**16,906**
Comprehensive Income					
Net Profit		–	2,570	–	2,570
Currency Translation Differences		–	–	15	15
Total Comprehensive Income		**–**	**2,570**	**15**	**2,585**
Transactions with Owners					
Dividends Relating to 2013	20	–	(2,278)	–	(2,278)
Total Transactions with Owners		**–**	**(2,278)**	**–**	**(2,278)**
EQUITY AS AT 30 JUNE 2014		**5,000**	**12,290**	**(77)**	**17,213**
GROUP 2013					
Equity as at 1 July 2012		**5,000**	**9,782**	**(91)**	**14,691**
Comprehensive Income					
Net Profit		–	2,722	–	2,722
Currency Translation Differences		–	–	(1)	(1)
Total Comprehensive Income		**–**	**2,722**	**(1)**	**2,721**
Transactions with Owners					
Dividends Relating to 2012	20	–	(506)	–	(506)
Total Transactions with Owners		**–**	**(506)**	**–**	**(506)**
EQUITY AS AT 30 JUNE 2013		**5,000**	**11,998**	**(92)**	**16,906**

This statement should be read in conjunction with the notes to the financial statements.

PARENT 2014	Note	Fully Paid Ordinary Shares $000s	Retained Earnings/ (Accumulated Losses) $000s	Total $000s
Equity as at 1 July 2013		**5,000**	**732**	**5,732**
Comprehensive Income				
Net Profit			449	449
Total Comprehensive Income		–	**449**	**449**
Transactions with Owners				
Dividends Relating to 2013	20	–	(2,278)	(2,278)
Total Transactions with Owners		**–**	**(2,278)**	**(2,278)**
Gain on Amalgamation	17	–	15,975	15,975
EQUITY AS AT 30 JUNE 2014		**5,000**	**14,878**	**19,878**
PARENT 2013				
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**

This statement should be read in conjunction with the notes to the financial statements.

Statements of Cash Flows
for the year ended 30 June 2014

	Note	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Cash Flow from Operating Activities					
Cash was Provided from:					
Receipts from Customers		45,301	43,799	35,266	21,187
Interest Received		40	22	38	18
Cash was Applied to:					
Payments to Suppliers and Employees		(37,724)	(34,885)	(29,296)	(24,608)
Interest Paid		(978)	(881)	(978)	(881)
Income Taxation Paid		(901)	(144)	(901)	(29)
Net Cash Generated by Operating Activities	21	**5,738**	**7,911**	**4,128**	**(4,313)**
Cash Flow from Investing Activities					
Cash was Provided from:					
Proceeds from Disposal of Property, Plant and Equipment		42	85	–	85
Dividend Received		–	–	–	8,000
Intercompany Receipts		–	–	–	2,436
Cash was Applied to:					
Purchase of Property, Plant and Equipment		(2,516)	(3,829)	(1,445)	(1,962)
Acquisition of 49% Share In MetOcean Solutions Limited		(3,000)	–	(3,000)	-
Net Cash Used by Investing Activities		**(5,474)**	**(3,744)**	**(4,445)**	**8,559**
Cash Flow from Financing Activities					
Cash was Provided from:					
Increased Borrowings		3,000	–	3,000	–
Cash was Applied to:					
Repayment of Borrowings		(1,000)	(2,000)	(1,000)	(2,000)
Dividends		(2,278)	(506)	(2,278)	(506)
Net Cash Generated by Financing Activities		**(278)**	**(2,506)**	**(278)**	**(2,506)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(14)**	**1,661**	**(595)**	**1,740**
Add Cash and Cash Equivalents at the Beginning of the Year		1,637	(24)	982	(758)
Cash Acquired on Amalgamation		–	–	440	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**1,623**	**1,637**	**828**	**982**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements **for the year ended 30 June 2014**

1. GENERAL INFORMATION

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 19 August 2014.

Meteorological Service of New Zealand Limited is a profit-oriented entity 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.

2. 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.

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.

Standards adopted for the first time

XRB A1 Accounting Standards Framework for For-Profit Entities has been applied for the first time in the current year. XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is considered a large for-profit public sector entity under the Standard and meets the criteria of Tier 1. The Group will continue to report under full NZ IFRS regime. There is no impact on the current or prior year financial statements of transitioning to the new Accounting Standards Framework.

NZ IFRS 10 'Consolidated Financial Statements' 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 adoption of this standard has not materially impacted the Group's financial statements.

NZ IFRS 11 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group used principles stated in NZ IFRS 11 to account for the joint arrangement with MetOcean Solutions Limited.

NZ IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

NZ IFRS 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRSs. The adoption of this standard has not materially impacted the Group's financial statements.

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 2017. 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 adoption of this standard is not expected to materially impact the Group's measurement of or disclosure of financial assets or liabilities.

NZ IFRS 15 'Revenue from contracts with customers' – effective for annual periods beginning on or after 1 January 2017. The standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and is applicable to all entities with revenue. It sets out a five-step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2017.

Principles of consolidation

Subsidiaries

The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2014. 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 Profit or Loss and Other 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 value 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

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

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.

A business combination in which all of the combining entities or businesses are ultimately controlled by the Group both before and after the business combination is a common control acquisition. Common control acquisitions within the Group are accounted for using the predecessor values method. Predecessor values are the carrying values of the assets and liabilities of an entity from the consolidated financial statements of the Group.

Investments in jointly controlled entities
The Group has applied NZ IFRS 11 to account for its joint arrangement. Under NZ IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Dividend income
Dividend Income is recognised when the right to receive payment has been established.

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 Statement of Profit or Loss and Other Comprehensive Income 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 Profit or Loss and Other 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 Profit or Loss and Other 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% – 22.0%
Office Equipment	18.0% – 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 Profit or Loss and Other 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.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill recognised in the Statements of Profit or Loss and Other 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
- 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 Profit or Loss and Other 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.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

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 Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

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 Profit or Loss and Other 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 Profit or Loss and Other 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.

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 Profit or Loss and Other 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- 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
- 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.

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 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.

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 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.

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, 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.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

Goods and Services Tax

All items included in the financial statements are reported exclusive of Goods and Services Tax (GST), except for accounts payable 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 Profit or Loss and Other 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 Profit or Loss and Other 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:

- Note 18: Other intangible assets – measurement of goodwill impairment of subsidiaries.
- Note 18: Internally generated intangible assets.

3. OPERATING EXPENDITURE	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Profit for the year has been arrived after charging/(crediting)				
Audit Fees paid to PwC	99	99	99	45
Audit Fees Related to Audit of Subsidiary MetraWeather UK Ltd paid to Crowe Clark Whitehall	21	10	–	–
Fees Paid to PwC for Assurance Services	19	–	19	–
Fees Paid to PwC for Accounting Advice	10	–	10	–
Loss on Disposal of Property, Plant and Equipment	1	66	1	38
Directors' Fees	186	190	186	190
Bad Debts Recovered	–	(33)	–	–
Software Development Expenditure	16	123	–	11
FX Losses/(Gains)	134	–	107	6
Bad Debts	154	107	154	–

4. EMPLOYEE BENEFITS EXPENSE	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Wages and Salaries	23,258	22,616	19,975	16,469
Termination Benefits	21	26	21	26
Defined Contribution Pension Plan Expense	635	413	635	413
Labour Capitalised	(4,187)	(3,999)	(3,968)	(2,948)
Contractors/Temporary Staff	1,514	1,011	1,047	356
Other Employee Benefits	652	377	603	294
TOTAL EMPLOYEE BENEFITS	**21,893**	**20,443**	**18,313**	**14,610**

5. FINANCE COSTS – NET	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Interest Revenue				
Bank Deposits	40	22	38	14
Total Finance Income	**40**	**22**	**38**	**14**
Interest on Bank Overdrafts and Loans	979	882	979	882
Total Finance Costs	**979**	**882**	**979**	**882**
FINANCE COSTS - NET	**939**	**860**	**941**	**868**

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

6. TAXATION	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Net Profit Before Taxation	4,246	3,746	1,079	324
Prima Facie Taxation Thereon at 28%	1,189	1,049	302	89
Non-Deductible Expenditure	81	60	63	56
Non-Assessable Inter-Company Dividends And Profit Share of Joint Ventures	(29)	–	(29)	(2,240)
Non-Assessable Government Grant	(13)	(15)	–	(8)
Prior Period Adjustment	357	(76)	294	17
Effect of Current Tax Offsets Within Group	–	–	–	2,358
Effect of Buildings Being Held For Sale	–	2	–	2
Effect of Different Tax Rates In Other Jurisdictions	91	4	–	–
TAXATION EXPENSE/(BENEFIT)	**1,676**	**1,024**	**630**	**275**
Prior Year Adjustment	357	(76)	294	17
Current Taxation	1,448	715	205	29
Deferred Taxation	(129)	385	131	229
TAXATION EXPENSE/(BENEFIT)	**1,676**	**1,024**	**630**	**275**
Deferred Tax				
Deferred tax (liabilities)/assets arise from the following:				
TEMPORARY DIFFERENCES				
Property, Plant and Equipment	(1,245)	(964)	(1,245)	(889)
Intangible Assets	(809)	(492)	(809)	(223)
Other Financial Assets	–	–	–	–
Provisions and Other Liabilities	547	432	547	425
MetraWeather (UK) Ltd Loss for the Period	–	29	–	–
Income Tax Losses	292	–	–	–
	(1,215)	**(995)**	**(1,507)**	**(687)**
Deferred Taxation				
Opening Balance	(995)	(610)	(687)	(458)
On Profit/(Loss) for the Year	129	(385)	(131)	(229)
Prior Period Adjustment	(349)	–	(349)	–
Amalgamation Adjustment	–	–	(340)	–
CLOSING BALANCE	**(1,215)**	**(995)**	**(1,507)**	**(687)**
Deferred Tax to be Recovered < 12 months	547	432	547	424
Deferred Tax to be Recovered > 12 months	(1,762)	(1,427)	(2,054)	(1,111)
	(1,215)	**(995)**	**(1,507)**	**(687)**
Imputation Credits Available For Use	**4,294**	**4,139**	**4,294**	**4,139**

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. The Parent and its subsidiary (Metra Information Ltd) were amalgamated during the year, at which point the subsidiary's deferred tax liability was brought onto the Parent's balance sheet.

A corporate tax rate of 28% applies in both the 2012/2013 and 2013/2014 income tax years.

7. ISSUED CAPITAL

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $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.

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.

8. TRADE AND OTHER PAYABLES

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Trade Payables	1,202	1,052	1,113	780
Other Payables	907	1,263	904	1,145
Accruals	1,596	1,773	1,526	1,360
Income in Advance	1,154	1,020	987	30
TOTAL TRADE AND OTHER PAYABLES	**4,858**	**5,108**	**4,530**	**3,315**

9. TRADE AND OTHER RECEIVABLES

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Trade Receivables	3,403	3,328	3,251	63
Allowance for Impairment	(211)	(107)	(211)	–
	3,192	**3,221**	**3,040**	**63**
Prepayments	1,070	848	1,045	618
Sundry Debtors	355	538	290	120
TOTAL TRADE AND OTHER RECEIVABLES	**4,617**	**4,607**	**4,375**	**801**

The average credit period on sales of goods and services is 30 days. No interest is charged on 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 $820,551 (2013: $1,072,000) 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 $820,551 (2013: $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.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Ageing Past Due Trade Receivables (Not Impaired)				
60–90 days	26	50	26	–
Above 90 days	165	511	165	–
TOTAL	**191**	**561**	**191**	–
Movement in the Allowance for Impairment				
Balance at Beginning of the Year	107	–	–	–
Amalgamation Transfer	–	–	107	–
Doubtful Debts Recognised as Bad Debts	131	107	131	–
Impairment Losses Reversed	(26)	–	(26)	–
BALANCE AT END OF THE YEAR	**211**	**107**	**211**	**–**

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 $227,867 (2013: $362,000) for Group and $227,867 (2013: $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.

10. EMPLOYEE BENEFITS	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Annual Leave Entitlement	1,312	1,185	1,234	1,112
Termination Leave	144	165	144	165
TOTAL EMPLOYEE BENEFITS	**1,456**	**1,350**	**1,378**	**1,277**
Termination Leave				
Opening Balance as at 1 July 2013	165	191	165	191
Reductions Arising from Payments/ Other Sacrifices of Future Economic Benefits	(21)	(26)	(21)	(26)
CLOSING BALANCE AS AT 30 JUNE 2014	**144**	**165**	**144**	**165**
Termination Leave – Current	–	–	–	–
Termination Leave – Non Current	144	165	144	165
CLOSING BALANCE AS AT 30 JUNE 2014	**144**	**165**	**144**	**165**

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.

11. PROVISIONS

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Non Current				
Restoration Provision	490	483	490	483
TOTAL NON CURRENT PROVISIONS	**490**	**483**	**490**	**483**
Restoration Provision				
Opening Balance as at 1 July 2013	483	468	483	468
Movement Due to Revised Assumption on Lease Termination	7	15	7	15
Closing Balance as at 30 June 2014	**490**	**483**	**490**	**483**
TOTAL PROVISIONS	**490**	**483**	**490**	**483**

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 4.42% (2013: 3.6%) as the discount rate and assumed a 2.4% (2013: 2.0%) 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. 2014: $357,880 (2013: $337,592).

12. BORROWINGS

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Unsecured				
Current				
Bank Loan	3,000	–	3,000	–
Non Current				
Bank Loan	14,000	15,000	14,000	15,000
TOTAL BORROWINGS	**17,000**	**15,000**	**17,000**	**15,000**

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 2014 is 5.38% (2013: 5.53%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and total leverage ratio. As at 30 June 2014, all banking covenants had been complied with.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

13. INVENTORIES

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Finished Goods at Cost	369	527	369	527
TOTAL INVENTORIES	**369**	**527**	**369**	**527**

The cost of inventories recognised as an expense during the year was $458,287 (2013: $406,764).

14. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities at 30 June 2014 are as follows:

Name of Jointly Controlled Entity	MetOcean Solutions Limited
Principal Activity	Oceanography and Meteorology
Place of Incorporation and Operation	New Zealand
Shareholding	49%

On 1 August 2013, the Group acquired a 49% stake in MetOcean Solutions Limited for $3million, funded by bank borrowing. Investment in the joint venture is accounted for using the equity method.

Summarised Financial Information of the Group's jointly controlled entity as at 30 June 2014 and for financial period since acquisition is set out below:

	$000s
Total Current Assets	860
Total Non Current Assets	142
Total Current Liabilities	(60)
Total Non Current Liabilities	–
Net Assets	942
Group's Share of Net Assets	**462**
Total Revenue	(2,407)
Total Profit for the Period	(212)
Group's Share of Profits of Jointly Controlled Entity	**(104)**

Movement in the Carrying Amount of the Group's Investment in jointly controlled entity:

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Balance at Beginning of Year	–	–	–	–
Acquisition of 49% shareholding	3,000	–	3,000	–
Share of Profits of Jointly Controlled Entity	104	–	104	–
GROUP'S SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITY	**3,104**	**–**	**3,104**	**–**

Reporting date of MetOcean Solutions Limited is 31 March, and for the period of the joint venture is in effect. The reporting date is not planned to change until such point as the remainder of the business is acquired and incorporated as a subsidiary of the Group.

The Group also holds a call option to acquire the remaining 51% interest in MetOcean Solutions Limited and the sellers hold a put option to sell their interest to the Group. The call and put options can only be exercised between the third and fourth anniversary of the acquisition. The transaction represents joint venture between the Group and the sellers and the call and the put options are not deemed to be derivative financial instruments.

15. BRANCHES

On 1 October 2013, Metra Information UK Limited, the UK branch of Metra Information Limited, a subsidiary of the Parent, was purchased by MetraWeather (UK) Limited, a subsidiary of the Group.

16. SUBSIDIARIES

On 1 November 2013, the Group amalgamated its subsidiary Metra Information Limited (MIL) into the Parent company.

The MIL results are included in the Parent's results from the date of the amalgamation only.

Details of the Group's 100% owned subsidiaries at 30 June 2014 are as follows:

Names	MetraWeather (Australia) Pty Limited	MetraWeather (UK) Limited
Place of Incorporation and Operation	Australia	United Kingdom
Balance Date	30 June	30 June
Principal Activity	Marketing and Promotion of Weather and Information Presentation Services	Marketing and Promotion of Weather and Information Presentation Services

17. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

On 1 October 2013, the UK branch was purchased by MetraWeather (UK) Limited, a subsidiary of the Group.

On 1 November 2013, the Group amalgamated its subsidiary Metra Information Limited (MIL) into the Parent company.

Gain on Amalgamation	$000s
Current Assets Transferred	10,517
Non Current Assets Transferred	7,454
Current Liabilities Transferred	(1,996)
NET GAIN ON AMALGAMATION	**15,975**

Equity Interests in Related Parties

Details of interests in subsidiaries are disclosed in Note 16.

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Transfers of Software Development				
Metra Information Limited	–	–	–	2,320
MetraWeather (Australia) Pty Limited	–	–	113	31
	–	–	**113**	**2,351**

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

Management Fees Paid and Expenses Reimbursed				
Metra Information Limited	–	–	–	(3,310)
MetraWeather (Australia) Pty Limited	–	–	(2,149)	(87)
MetraWeather (UK) Limited	–	–	(1,752)	–
MetOcean Solutions Limited	–	–	(53)	–
	–	–	**(3,954)**	**(3,397)**

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

Loans to/(from) Subsidiaries

The Company provides funds to MetraWeather (Australia) Pty Limited via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year.

The Company receives funds from its UK subsidiary via an intercompany account for the services performed for the subsidiary.

Balances are interest free and payable on demand.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Outstanding receivable/(payable) at year end				
Metra Information Limited	–	–	–	(5,223)
MetraWeather UK Limited	–	–	3,942	–
MetraWeather (Australia) Pty Limited	–	–	(835)	1,841
	–	–	**3,107**	**(3,382)**

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	1,609	1,808	1,609	1,808
Total Profit Share	144	82	144	82
Directors Remuneration	186	190	186	190
	1,939	**2,080**	**1,939**	**2,080**

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.

18. OTHER INTANGIBLE ASSETS

GROUP 2014	Goodwill	Internally Developed Software	Customer Base	Capital Work In Progress	Total
Cost	600	24,675	413	2,093	**27,781**
Accumulated Depreciation and Impairment	–	(15,069)	(282)	–	**(15,351)**
CARRYING AMOUNT	**600**	**9,606**	**131**	**2,093**	**12,430**
Opening Carrying Amount	600	7,382	210	3,479	**11,671**
Additions at Cost	–	5,920	–	–	**5,920**
Amortisation Expense	–	(3,696)	(79)	–	**(3,775)**
Accumulated Depreciation Recovered	–	–	–	–	**–**
Work in Progress Movement	–	–	–	(1,386)	**(1,386)**
NET BOOK VALUE AS AT 30 JUNE 2014	**600**	**9,606**	**131**	**2,093**	**12,430**

GROUP 2013	Goodwill	Internally Developed Software	Customer Base	Capital Work In Progress	Total
Cost	600	18,633	413	3,479	23,125
Accumulated Depreciation and Impairment	–	(11,251)	(203)	–	(11,454)
CARRYING AMOUNT	600	7,382	210	3,479	11,671
Opening Carrying Amount	600	5,271	296	3,483	9,650
Additions at Cost	–	5,114	–	–	5,114
Disposals	–	(343)	–	–	(343)
Amortisation Expense	–	(2,867)	(86)	–	(2,953)
Accumulated Depreciation Recovered	–	207	–	–	207
Work in Progress Movement	–	–	–	(4)	(4)
NET BOOK VALUE AS AT 30 JUNE 2013	600	7,382	210	3,479	11,671

PARENT 2014	Internally Developed Software	Capital Work In Progress	Total
Cost	24,675	2,075	26,750
Accumulated Depreciation and Impairment	(15,069)	–	(15,069)
CARRYING AMOUNT	9,606	2,075	11,681
Opening Carrying Amount	3,761	3,481	7,242
Amalgamation	4,847	–	4,847
Additions at Cost	4,087	–	4,087
Disposals	–	–	–
Amortisation Expense	(3,089)	–	(3,089)
Accumulated Depreciation Recovered	–	–	–
Work in Progress Movement	–	(1,406)	(1,406)
NET BOOK VALUE AS AT 30 JUNE 2014	9,606	2,075	11,681

PARENT 2013	Internally Developed Software	Capital Work In Progress	Total
Cost	11,765	3,481	15,246
Accumulated Depreciation and Impairment	(8,004)	–	(8,004)
CARRYING AMOUNT	3,761	3,481	7,242
Opening Carrying Amount	2,827	3,463	6,290
Additions at Cost	2,696	–	2,696
Disposals	(334)	–	(334)
Amortisation Expense	(1,467)	–	(1,467)
Accumulated Depreciation Recovered	39	–	39
Work in Progress Movement	–	18	18
NET BOOK VALUE AS AT 30 JUNE 2013	3,761	3,481	7,242

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

Internally developed software and capital work in progress includes software development to be used in sellable products and installations of infrastructure. The amount to be capitalised is determined on the basis of time spent by employees developing these assets. Timesheets are used for recording hours spent against specific pre-approved activities, both capital and operational. The timesheets are reviewed against the criteria determined in the accounting policy and approved by management. IT development is allocated at a rate of $103 per hour (2013: $99) and Network Engineer's rate is $72 per hour (2013: $72 per hour). These rates were determined by using the appropriate overheads for each area, along with the average hourly rate for employees developing these assets. These amounts are subject to external audit.

MetraWeather (UK) Ltd customer base valuation

The MetraWeather (UK) Ltd customer base represents assets identified on acquisition of MetraWeather (UK) Ltd and was calculated on the net present value, using a discount rate of 23%, 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 2014 was $126,500 (2013: $205,333). No reasonable change in assumptions leads to an impairment.

Impairment tests for goodwill

Goodwill is allocated to MetraWeather (UK) Ltd. The recoverable amount 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 exceeds the carrying amount therefore no impairment loss has been recognised.

19. PROPERTY, PLANT & EQUIPMENT

GROUP 2014	Land & Buildings $000s	Meteorological & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Work In Progress $000s	Total $000s
Cost	9,033	22,652	17,005	2,449	**51,139**
Accumulated Depreciation and Impairment	(4,116)	(11,725)	(14,705)	–	**(30,546)**
CARRYING AMOUNT	**4,917**	**10,927**	**2,300**	**2,449**	**20,593**
Opening Carrying Amount	5,455	10,657	3,075	2,163	**21,350**
Additions at Cost	11	1,378	515	–	**1,904**
Disposals	(9)	(205)	(53)	–	**(267)**
Depreciation	(543)	(1,108)	(1,290)	–	**(2,941)**
Accumulated Depreciation Recovered	3	205	53	–	**261**
Work In Progress Movement	–	–	–	286	**286**
NET BOOK VALUE AS AT 30 JUNE 2014	**4,917**	**10,927**	**2,300**	**2,449**	**20,593**

GROUP 2013					
Cost	8,890	21,484	16,536	2,163	**49,073**
Accumulated Depreciation and Impairment	(3,435)	(10,827)	(13,461)	–	**(27,723)**
CARRYING AMOUNT	**5,455**	**10,657**	**3,075**	**2,163**	**21,350**
Opening Carrying Amount	5,848	11,113	3,374	1,058	**21,393**
Additions at Cost	183	569	1,026	–	**1,778**
Disposals	(80)	(123)	(257)	–	**(460)**
Depreciation	(536)	(1,025)	(1,323)	–	**(2,884)**
Accumulated Depreciation Recovered	40	123	255	–	**418**
Work In Progress Movement	–	–	–	1,105	**1,105**
NET BOOK VALUE AS AT 30 JUNE 2013	**5,455**	**10,657**	**3,075**	**2,163**	**21,350**

PARENT 2014	Land & Buildings $000s	Meteorological & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Work In Progress $000s	**Total $000s**
Cost	9,033	22,638	16,564	2,449	**50,684**
Accumulated Depreciation and Impairment	(4,116)	(11,717)	(14,320)	–	**(30,153)**
CARRYING AMOUNT	**4,917**	**10,921**	**2,244**	**2,449**	**20,531**
Opening Carrying Amount	5,318	9,805	2,642	1,897	**19,662**
Amalgamation	131	812	357	–	**1,300**
Additions at Cost	12	1,368	440	–	**1,820**
Disposals	(9)	(205)	(53)	–	**(267)**
Depreciation	(538)	(1,064)	(1,195)	–	**(2,797)**
Accumulated Depreciation Recovered	3	205	53	–	**261**
Work In Progress Movement	–	–	–	552	**552**
NET BOOK VALUE AS AT 30 JUNE 2014	**4,917**	**10,921**	**2,244**	**2,449**	**20,531**

PARENT 2013					
Cost	8,730	20,161	14,926	1,897	**45,714**
Accumulated Depreciation and Impairment	(3,412)	(10,356)	(12,284)	–	**(26,052)**
CARRYING AMOUNT	**5,318**	**9,805**	**2,642**	**1,897**	**19,662**
Opening Carrying Amount	5,751	10,194	2,964	805	**19,714**
Additions at Cost	147	507	815	–	**1,469**
Disposals	(80)	(123)	(240)	–	**(443)**
Depreciation	(523)	(896)	(1,135)	–	**(2,554)**
Accumulated Depreciation Recovered	23	123	238	–	**384**
Work In Progress Movement	–	–	–	1,092	**1,092**
NET BOOK VALUE AS AT 30 JUNE 2013	**5,318**	**9,805**	**2,642**	**1,897**	**19,662**

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

20. DIVIDENDS	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Final Dividends Paid				
Final Dividends Relating to Prior Year (2014 45.5c per share, 2013: 10c per share)	2,278	506	2,278	506
	2,278	**506**	**2,278**	**506**

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

21. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Net Surplus for the Year	**2,585**	**2,721**	**449**	**49**
Non Cash/Non Operating Items				
Depreciation and Amortisation	6,716	5,849	5,884	4,032
Share of Profits of Associates	(104)	–	(104)	–
Labour Capitalised	(4,187)	(3,999)	(3,968)	(2,948)
Increase/(Decrease) in Deferred Tax	220	385	131	229
Intercompany Dividends	–	–	–	(8,000)
Movement in Foreign Currency Translation Reserve	(15)	1	–	–
Loss on Sale of Fixed Assets	1	66	(1)	38
Restoration Provision	7	15	7	15
Other Non Cash Operating Items	(43)	–	–	–
INCREASE/(DECREASE) IN NON CASH ITEMS	**2,595**	**2,317**	**1,949**	**(6,634)**
Movements in Working Capital				
Movement in working capital as a result of amalgamation	–	–	9,090	–
Decrease/(Increase) in Receivables	(10)	2,355	(6,681)	2,012
(Decrease)/Increase in Accounts Payable and Accruals	(144)	168	(2,045)	385
Decrease/(Increase) in Income Taxation Receivable	554	523	1,208	48
Decrease/(Increase) in Inventories	158	(173)	158	(173)
Total Movement in Working Capital	**558**	**2,873**	**1,730**	**2,272**
NET CASH GENERATED BY OPERATING ACTIVITIES	**5,738**	**7,911**	**4,128**	**(4,313)**

22. OPERATING LEASE EXPENSES

The Group as Lessee:

Leasing arrangements

The Group leases land, office space and IT equipment.
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 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Non Cancellable Operating Lease Commitments				
Not later than One Year	639	476	473	437
Later than One Year and Not Later Than Five Years	879	821	834	821
Later Than Five Years	1,128	1,008	1,128	1,008
	2,646	**2,304**	**2,435**	**2,265**

23 . CASH AND CASH EQUIVALENTS

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 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Cash and Cash Equivalents	**1,623**	**1,637**	**828**	**982**

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. 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 & 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	**578**	**924**	**578**	**924**

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

Financing risk is the risk of not being able to refinance debt obligations or other cash outflows when required, on terms that are no more unfavourable than those currently in place. The main objectives of the management of financing risk is to ensure sufficient funding is available to meet the Group's requirements and to avoid liquidity crises, achieve competitive pricing on sources of funding and lines of credit, and diversify sources of funding and liquidity.

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 2013.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 12, 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.

Financial instruments by category

Categories of Financial Instruments	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Assets				
LOANS AND RECEIVABLES				
Cash and Cash Equivalents	1,623	1,637	828	982
Trade and Other Receivables	3,547	3,759	3,330	183
Amounts owing from Subsidiary	–	–	3,107	–
TOTAL FINANCIAL ASSETS	**5,170**	**5,396**	**7,265**	**1,165**
Liabilities				
FINANCIAL LIABILITIES AT AMORTISED COST				
Trade and Other Payables	3,403	3,936	3,245	3,277
Employee Benefits	1,312	1,185	1,234	1,112
Amounts owing to Subsidiary	–	–	–	3,382
Borrowings	17,000	15,000	17,000	15,000
TOTAL FINANCIAL LIABILITIES	**21,715**	**20,121**	**21,479**	**22,771**

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.

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 2014 $000s	Liabilities 2013 $000s	Assets 2014 $000s	Assets 2013 $000s
Group				
US Dollars	40	28	862	515
British Pounds	32	18	774	105
Euro	17	32	71	115
Australian Dollars	10	5	331	162
	99	**83**	**2,038**	**897**
Parent				
US Dollars	40	–	114	–
British Pounds	–	–	17	–
Euro	–	–	19	–
Australian Dollars	6	–	43	–
	46	**–**	**193**	**–**

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 $176,000 (2013: $126,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by $215,000 (2013: $154,000).

Interest rate risk management

The Parent and Group manage 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.

If interest rates had been 1% higher and all other variables were held constant, Group profit and equity would have decreased by $170,200 (2013: $149,400). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by $169,800 (2013: $150,600).

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.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

The Group and Parent have access to financing facilities, the total unused amount of which is $4,000,000 (2013: $4,000,000) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The table below summarises the cash flows payable by the Group by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and expected undiscounted cash flows.

Financial Liabilities

	Borrowings $000s	Interest Payable $000s
< 6 Mths	1,000	17
12 Mths	2,000	92
1-5 Yrs	14,000	1,154
5+ Yrs	–	–
	17,000	**1,263**

Trade and other payables and employee benefits are repayable within the next six months.

25. CAPITAL COMMITMENTS

	Group 2014 $000s	Group 2013 $000s	Parent 2014 $000s	Parent 2013 $000s
Commitments for the acquisition of property, plant and equipment	1,045	333	1,045	333

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 11 for contingent liabilities relating to restoration of leased sites and Note 22 for operating lease commitments.

27. SUBSEQUENT EVENTS

No material events have occurred subsequent to the end of the reporting period that require recognition of, or additional disclosure in, these financial statements.

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 2014

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited (the Company) and Group. The Auditor-General has appointed me, Karen Shires, using the staff and resources of PricewaterhouseCoopers, to carry out the 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 18 to 44, that comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income, statements of changes in equity and statements 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 18 to 44:

- comply with generally accepted accounting practice in New Zealand
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 30 June 2014; 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 19 August 2014. This 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 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, in our judgement, are likely to influence readers' 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 preparation of the Company and Group's 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 Company and Group'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. Also we did not evaluate the security and controls over the electronic publication 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; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

The Board of Directors is 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 is also responsible for the publication of the financial statements, whether in printed or electronic form.

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 External Reporting Board.

In addition to the audit we have carried out accounting advice and other assurance assignments, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Karen Shires
On behalf of the Auditor-General

PricewaterhouseCoopers
Wellington, New Zealand

Statutory Information

Results of operations

	2014 $000s	2013 $000s
Net Surplus attributable to Shareholders	2,570	2,722
Final Dividend Paid	2,278	506
Retained Earnings at Beginning of the Year	11,998	9,782
Retained Earnings at End of Year	12,290	11,998

Changes in accounting policies

There has been no material changes in accounting policies during the year. Accounting policies adopted in preparation of the Consolidated Earnings Statement are the same as those applied by the Group. The policies are set out on pages 23–28.

Changes in capital

There were no changes in capital during the year.

Remuneration bands

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	26
$110,000 – $119,000	18
$120,000 – $129,000	11
$130,000 – $139,000	5
$140,000 – $149,000	1
$150,000 – $159,000	1
$220,000 – $229,000	1
$230,000 – $239,000	1
$240,000 – $249,000	3
$420,000 – $429,000	1

Donations

The Company made no donations during the year.

Auditor

The Auditor for the Group is Karen Shires, assisted by PricewaterhouseCoopers, Wellington, on behalf of the Auditor General. The amount payable by the Group to PricewaterhouseCoopers during the year as audit fees is $99,400. The amount in respect of the year for other services provided by PricewaterhouseCoopers is $29,000.

Directors' fees

The total fees payable to members of the MetService Board during FY2013/4 was $189,750. The total Board fees are within the amount authorised by the Shareholding Ministers.

Sarah Smith (Chairperson)	$46,000
Greg Cross (Deputy Chair)	$28,750
Carlos da Silva	$23,000
Carolyn Harkess	$23,000
Te Taru White	$23,000
Judy Kirk	$23,000
Anthony Howard	$3,833
James Koh	$19,167
Total Directors' Remuneration	**$189,750**

Anthony Howard replaced James Koh on 1 May 2014.

Directors' and employees' indemnity and insurance

The MetService Group has insured the Directors and employees of the Group against any costs or liabilities of the type referred to in s162(5) of the Companies Act 1993. The MetService Group has also agreed to indemnify Directors of the Group and MetService appointed Directors of associated and subsidiary companies against any costs or liabilities referred to in s162(4) of the Companies Act 1993 that are incurred in any proceedings of the type referred to in s162(3) of the Companies Act 1993.

Directors' loans

No loans were made to the Directors during the year.

Directors' disclosures

No specific disclosures were given by the Directors pursuant to s140(1) of the Companies Act 1993.

General disclosures of interest made by the Directors of MetService and its subsidiaries pursuant to s140(2) as at 30 June 2014 are:

Director	Interest
S Smith (Chairman)	Christchurch City Holdings Limited Sasco Holdings Limited Cashel Properties Limited Devon Chambers Limited Oxford Estates Limited EcoCentral Limited Warren Architectural Trust Ohinetahi Charitable Trust SLI Systems Limited The Lion Foundation Wherescape Software Limited
G Cross (Deputy Chairman)	Cross Ventures Ltd Cross Ventures Investments Ltd PowerbyProxi Ltd BiciVida Ltd SLI Systems Ltd Movac Fund 3 Fronde Group Ltd
C da Silva (Chairman, Audit and Risk Committee)	Fisher & Paykel Finance Holdings Ltd Fisher & Paykel Finance Ltd Fisher & Paykel Financial Services Ltd Equipment Finance Ltd Consumer Finance Ltd Consumer Insurance Services Ltd Retail Financial Services Ltd DA SILVA Advisory Ltd MCC Properties Ltd IT Partners Ltd IT Partners Group Ltd Lightwire Ltd Trelise Cooper Group Ltd Trelise Cooper Property Ltd Gardon Ltd Milk Management Co. Ltd Waikato Regional Airport Ltd Titanium Park Ltd Certus Group Limited Jarvis Trading Company

Director	Interest
C Harkess	Southern Pine Products
J Kirk	NZ Lotteries Commission J M K Consultancy Ltd
T White	Te Taru White Consultancy Limited Media 3D Limited Lottery Environment Heritage Committee MBI Assessment Panel Member Oil & Minerals Research Projects Decision-making Panel – OMV Maari Exploration Application Consent Process. Eagle Spirit Energy Holdings Limited (CA)
A Howard	Howard & Co Ventures Onvine Limited GFG Group Limited AJW Howard & Co Limited Ecological Investments Limited Payglobal Limited Southern Lakes Ski Company

Directors' statement

This Annual Report is for the period 1 July 2013 to 30 June 2014 and is signed on behalf of Meteorological Service of New Zealand's Board of Directors.

S Smith
Chairman

C M da Silva
Audit and Risk Chairman

Key Performance Indicators
Financial

	Statement of Corporate Intent	Actual 2014	Actual 2013
1. Shareholder Returns			
Total Shareholder Return	4.3%	4.3%	1.0%
Dividend Yield	4.3%	4.3%	1.0%
Dividend Payout	40.1%	39.7%	11.3%
Return on Equity (ROE)	16.9%	15.1%	17.2%
Return on Funds Employed	15.4%	15.4%	14.5%
2. Profitability/Efficiency			
NPAT	2,863	2,570	2,721
EBIT	5,000	5,096	4,606
EBITDA	11,664	11,797	10,452
Asset Turnover	1.22	1.11	1.06
Operating Margin (EBITDAF)	24.4%	25.8%	24.7%
Operating Margin (EBIT)	10.5%	11.2%	10.9%
3. Leverage/Solvency			
Gearing Ratio (net)	48.6%	47.2%	44.1%
Interest Cover	11.4	12.1	12.2
Solvency	0.76	0.68	1.04
Debt Coverage Ratio	3.20	3.34	3.26
4. Growth/Investment			
Revenue Growth	12.5%	7.9%	0.2%
EBITDAF Growth	15.6%	12.8%	34.8%
NPAT Growth	17.1%	-5.6%	152.8%
Capital Renewal	1.46	1.00	1.34

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	Actual 2014	Actual 2013
Warnings Performance			
POD Heavy Rain (12 mo mean)	> 90%	93%	95%
POD Severe Gales (24 mo mean)	> 85%	92%	96%
POD Heavy Snow (24 mo mean)	> 85%	100%	96%
FAR Heavy Rain (12 mo mean)	< 25%	17%	17%
FAR Severe Gales (24 mo mean)	< 30%	15%	8%
FAR Heavy Snow (24 mo mean)	< 30%	0%	6%
Forecast Accuracy			
Tmin % Within 3 °C (12 mo mean)	>85%	92%	89%
Precipitation % Correct (12 mo mean)	>80%	88%	85%
Forecast Improvement Score	> 0	1.	2
RC/MCDEM Survey Score (December Survey)	>85%	87%	88%
Systems Performance & Capability Investment			
Radar % Uptime (12 mo mean)	>97%	99.2%	99.7%
AWS % Uptime (12 mo mean)	>98%	99.5%	99.6%
Forecasting Capability Investment (past 12 mo)	> 5.0%	n/a	6.4%
Observing Capability Investment (past 12 mo)	> 2.5%	n/a	3.4%
% Experienced Forecasters	> 40%	42%	41%
ISO Audit Non-Conformances remaining unresolved > 2 months (past 12 mo)	≤ 1	0	0
CAA Audit Non-Conformances (past 12 mo)	≤ 1	0	0
Social & Environmental Sustainability			
Accidents Lost Time (hrs in past 12 mo)	< 40 hr	0	0
WMO Staff Participation (past 12 mo)	10	13	12
Staff Community Service Days (past 12 mo)	65	n/a	18

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.
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.

Company Directory

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Te Taru White

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