MetService
Annual Report 2023

Building a weather ready nation

MetService TE RATONGA TIRORANGI

MetraWeather

MetOcean SOLUTIONS

Weather is our entire focus – our country needs it to be

The impacts of climate change have been building around the world for some time, but in 2023 they came into devastating focus for Aotearoa New Zealand.

Cyclone Hale, in early January, was followed by three MetService Red Warning events: the Auckland Anniversary weekend storm, major flooding in Northland, Coromandel and Bay of Plenty, and then the full, destructive force of Cyclone Gabrielle.

Aotearoa New Zealand's climate is changing. Reliable, timely weather information is more vital than ever and MetService is proud to play a central role in helping build a safer, more resilient, weather-ready nation.

Our National Meteorological Service

We are Aotearoa New Zealand's National Meteorological Service and official national provider for severe weather watches and warnings through a contract with the Ministry of Transport.

MetService is recognised for these roles by the United Nations World Meteorological Organization (WMO).

Why?

- A respected history as Aotearoa New Zealand's most established provider of weather information and the country's oldest, continuous scientific institution
- World-leading forecasters and scientists using state-of-the-art technology and systems complemented with deep local knowledge
- Long-standing, trusted connections with Kiwis
- One clear focus on weather and its growing impacts on our country
- MetService's Chief Executive is appointed as Aotearoa New Zealand's representative to the World Meteorological Organization.

Satellite imagery of Cyclone Gabrielle (13 February, 2023)

Contents

Our Purpose

MetService's core purpose is to help people stay safe and make informed decisions, based on the weather.

Our Strategic Objectives

Our strategic focus places greater emphasis on value creation, partnerships, innovation, and collaboration as specified through the following objectives:

- Lead on weather impacts, supporting the safety and resilience of New Zealanders in a changing climate
- Deliver a customer-centric operating model that supercharges value creation
- Change the way we work with and engage more effectively with Māori to build trust and relevance
- Achieve business growth through overcoming our legacy debt and maximising value from our capabilities.

"This was a year in which the severe weather impacts of climate change hit home around the world. Here too, the catastrophic weather events that swept across the country meant that more and more New Zealanders turned to MetService as the trusted voice for weather warnings and forecasts. The commitment and sheer hard work undertaken by our team in the face of an unprecedented sequence of severe events cannot be understated."

Kia ora koutou, welcome to the 2022/23 Annual Report for MetService. I am writing this in my role as Acting Chair during the months from April to the end of June 2023.

Changing weather

The impact climate change is having on our weather is evident. The role of weather forecasting has become more important than ever for global resilience, security and public safety.

I am incredibly proud of the way that MetService contributed to the national crisis response during this year's weather events. It was no mean feat given the extended period in which severe weather overwhelmed this country.

I feel for all New Zealanders who had their lives upended by the power of extreme weather.

Impending weather market review (Hau Nuku)

The increasing severe weather events have led the Government to commission a review of the nation's weather forecasting system. With the expectation of more events like Cyclone Hale, the Auckland Anniversary floods and Cyclone Gabrielle, it is essential that we have the best weather forecasting system in place to deliver national weather readiness and resilience.

The MetService Executive and Board are committed to the success of this review, Hau Nuku, and will ensure the review panel receives all the support it needs from us as it makes recommendations on the best outcomes for Aotearoa New Zealand.

Our Te Tiriti o Waitangi focus

Our Pou Ārahi has been working with senior leaders across MetService to deliver our Strategic Objective of better engaging and building trust with Māori. This is important to the organisation – both in how we build deeper relationships with iwi and in how we better connect mātauranga Māori. As a Board we are working with management to embody a commitment to Te Tiriti through an ongoing programme of work.

Financial performance

Despite extreme weather events consuming a great deal of resource across the business, I am pleased to say our financial performance has remained positive, with growth in revenue to $66.5 million (3.5% up). Our earnings before interest and taxes were $2.1 million, similar to those in the previous financial year when excluding one off significant items.

Dr Alison Watters
Acting Chair

Our new Board Chair and Deputy

As my own temporary Chair tenure comes to an end I am pleased to announce the recent appointment of Paula Jackson as incoming Chair from 1 July 2023. Paula brings broad and fresh experience and energy to the chair role and I look forward to working with her.

I also welcome Te Tiwha Brendon Puketapu to the Board. Te Tiwha has been appointed as Deputy Chair and will be an invaluable member of the team as we continue our journey to build our Treaty understanding and commitment.

Thank you

I would like to take this opportunity to thank outgoing Chair Sophie Haslem, who has been a valued and respected member of the MetService Board since 2015.

It has been my privilege to work with Sophie, and on behalf of all the Board members I recognise her significant contribution to MetService's growth and success. I wish her all the best in her future endeavours.

My heartfelt thanks go to the Executive Leadership Team and the wonderful people of MetService, who have worked tirelessly in the past year to keep people safe and help New Zealanders to make informed decisions based on the record-breaking weather hitting our shores.

Finally, I'd like to thank all my fellow Board members for their ongoing commitment to governing the transformation and evolution of Aotearoa New Zealand's national weather forecasting service.

I believe positive change in the weather system is coming and that this change will be considered and delivered in a way that is designed for the benefit of all Aotearoa New Zealand as we continue to face the worsening impacts of climate change.

"As our acting chair Alison Watters has discussed, this has been a year in which the realities of global climate change impacted lives, infrastructure and prosperity here at home, and changed the game when we consider what Aotearoa New Zealand needs to be fit for the climate change future."

The 2023 World Economic Forum Global Risks Report identifies natural disasters and extreme weather events as the third-highest global risk for the next 10 years. In the past year we have seen these impacts around the world through temperature extremes, floods, fires and drought.

Here, we have felt this reality through the tragedies of the Auckland flooding, caused by a unique hybrid storm, the associated flooding across Northland, Coromandel and the Bay of Plenty, and the destruction caused by Cyclone Gabrielle.

For each of these severe weather events the MetService weather teams in the 24/7 national forecasting centre rapidly scaled-up the operational rhythm and tempo to deliver the weather warnings and services essential for national resilience and public safety. The whole nation has learned climate change lessons this year, and to face these extreme and growing threats MetService has embarked on a path to transform and continually develop our capabilities.

We are acting now to build a resilient Weather Ready Nation and make sure our voice gets through to all New Zealanders when weather threatens.

The Hau Nuku government review aims to shape our national weather forecasting system in the context of a climate-changed future. MetService is committed to the success of Hau Nuku and intent to create the best research-to-operational weather forecasting pathway that arranges current and new capabilities to better serve Aotearoa New Zealand.

Through our transformation journey we are already developing capabilities across the company and we have been applying the lessons learned from our rigorous scientific review of the recent unprecedented events. We have graduated eight Masters of Meteorology students and have eight more in the training pipeline to supply Aotearoa New Zealand's operational weather forecasting centre of excellence.

Resilience has been added through the on-budget completion of the standby weather operations centre at our Paraparaumu facility. This means MetService has a switchover capability to sustain national warnings and forecasting services without interruption, and to deliver an operational surge during times of concurrent or sequential extreme events, as we saw this year.

Focusing on the climate change future, the Te Pae Tata transformation programme has set the baseline for new, integrated ways of working that will enact an operating model built around a new Common Digital Platform, enabled by more resilient technology.

Stephen Hunt
Chief Executive

Despite the extreme weather challenges and the costs of transformation, MetService delivered a greater-than-forecast commercial result in this financial year.

Our result comes from our reputation and our dedication to the success of our customers and the safety of our communities. The results will enable reinvestment in ongoing transformation for the year ahead.

Finally, I would like to recognise all our wonderful and talented people at MetService who are selflessly committed to serving everyone in Aotearoa New Zealand.

In the recent Kantar Public Sector Reputation Index for 2023, which measured trust, social responsibility, leadership and fairness in 56 New Zealand public sector agencies, MetService was placed second, following Fire and Emergency New Zealand, and equal to the Department of Conservation. On behalf of the whole Team and Board, I am proud that MetService, New Zealand's own weather company, has been recognised in this way, showing the public's confidence in MetService. When bad weather threatens, people in New Zealand turn to MetService for help in ensuring their safety.

Reaching more Kiwis every day

118,354

Twitter followers

29.24% growth in Twitter followers from July 2022 to June 2023.

25,357

Instagram followers

17% increase in Instagram followers from July 2022 to June 2023.

219,923

Facebook fans

22% growth in Facebook fans from July 2022 to June 2023.

+29%

App impressions

App impressions during the year totalled 203,229,505.

14,430

Media articles

MetService appears in 14,430 media stories in the 2023 financial year across broadcast, print, radio and digital platforms.

223%

Web views

Cyclone Gabrielle drives a 223% increase in user numbers in one month. When bad weather comes, Kiwis trust MetService.

$666,177

Social investment

Our social investment number is the value of free advertising MetService provided to charities and non-profit organisations during the last year. This figure includes our partnership with the Antarctic Heritage Trust.

Finance information

6.2%

Return on funds employed

3.5%

Growth in total revenue

3.2%

Operating margin

5.7%

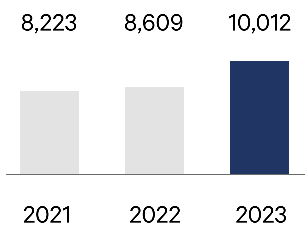
Return on equity

$64.4m

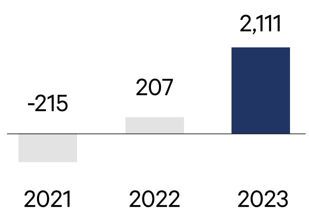
Operating expenditure

EBITDA ($000)

Earnings Before Interest, Taxes, Depreciation, and Amortisation



Operating profit ($000)



Weather warnings

6

Red Warning events
Affecting 13 regions

Red Warning event numbers from July 2022 to June 2023 more than double the previous year.

Rain: Nelson and Marlborough (16-19 August 2022)

Rain: Auckland (27 January 2023)

Rain: Northland, Auckland, Coromandel and western Bay of Plenty (31 January - 1 February, 2023)

Rain: Northland, Auckland, Coromandel, Tairāwhiti and Hawke's Bay (11-16 February, 2023)

Wind: Taranaki (11-16 February, 2023)

Rain: Tairāwhiti (22 June, 2023)

MetService provides land-based severe weather alerts through a system of Outlooks, Watches and Warnings. Warning are classified into two categories: Orange Warnings according to severe weather criteria and Red Warnings which are reserved for the most extreme weather events and based on expectation of significant impact.

Our sustainability

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Employees

People work across MetService, and include those representing our international and oceanography markets.

We are pleased to report that this is the first year in which MetService has reported on emissions as part of the Carbon Neutral Government Programme. Verification was obtained from Toitū Envirocare for the base year (2019) and current year (2023). In both years we received Toitū carbonreduce certification. The company intends to measure and verify the 2020, 2021 and 2022 years.

A number of initiatives are underway at MetService, although at present it is too early in our journey to specifically report on them. We can report that we have achieved our 2025 target of a 21% reduction and are now working towards an ambitious total reduction of 42% by 2030.

Key areas of focus are our electricity and travel emissions. There were data-collation challenges for the financial periods prior to 2023, as we worked to improve our systems and processes. We note that improvements are being made to enhance the reliability of our data.

Total annual emissions (including all mandatory and material emissions scopes/sources) for the financial year (July-June), reported as total tonnes of carbon dioxide equivalent units (tCO2e), were as per the chart below.

TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

Emissions profile broken down by emission source/scopes (tCO2e)

ISO 14064-1	Emission sources measured	2019	2023
Category 1	Fuel used in company-owned vehicles and refrigerants from air conditioning units	34.0	74.6
Category 2	Electricity usage	168.7	127.4
Category 3	Air travel and accommodation, staff mileage and commuting*, helicopter flights, ferry travel, taxis, freight and working from home	676.6	347.2
Category 4	Landfill waste, water usage and wastewater, paper usage and electricity transmission and distribution losses	131.1	94.7
	Cloud and data centre computing	-	34.0
		1,010.4	**677.9**
	Reduction in emissions since base year		**-33%**

*Commuting emissions are collated for staff who use allocated staff parking.

Cyclone Gabrielle – an epic-scale disaster response

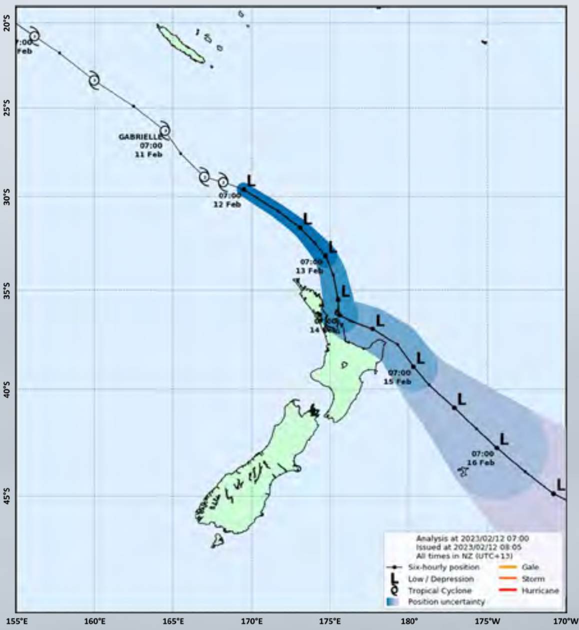
Cyclone Gabrielle was one of the worst storms to hit Aotearoa New Zealand in living memory. Our role in informing and preparing the country demanded an unprecedented response.

Tracking a cyclone

Our tropical cyclone specialists raised the potential of a cyclone developing in the Coral Sea 10 days before its impact. We undertook close monitoring to see if it would form into a tropical cyclone - it did, and we immediately alerted the public and relevant authorities.

All our weather modelling, including global analysis, showed the cyclone was tracking towards the North Island. Upon seeing the scale of this impending weather event, for the first time in our history, MetService stood up a full Crisis Management Team and began close engagement with the National Emergency Management Agency (NEMA) well in advance of the event.

Australia's Bureau of Meteorology named the cyclone on 8 February. The next day, we issued severe weather warnings for rain and wind. These were elevated to Orange Warnings in the early hours of 11 February. By the afternoon, they had all been elevated to Red Warnings.



Cyclone Gabrielle track plot

Full response mode

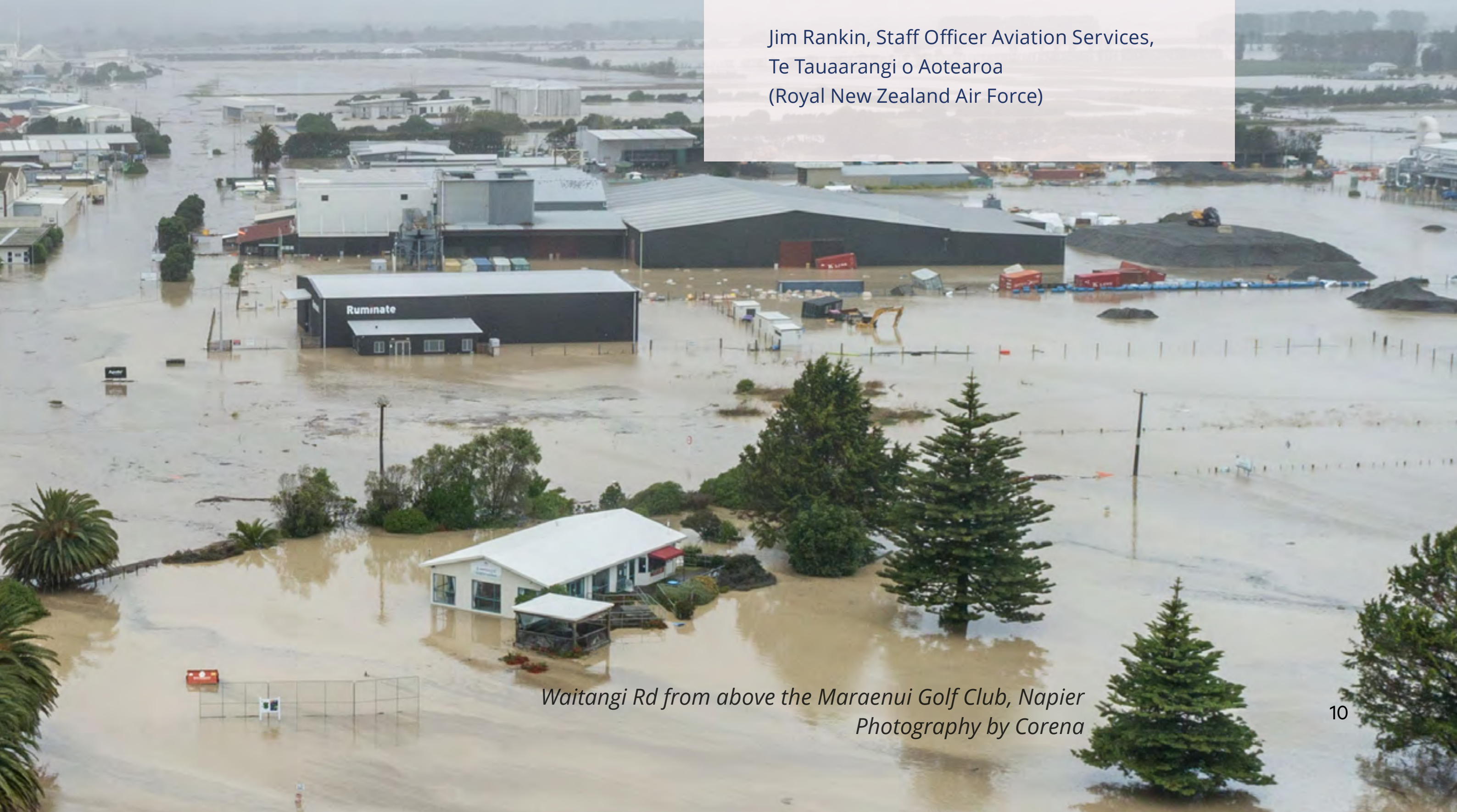
With Cyclone Hale having impacted the country in early January, and given the severity of the Auckland Anniversary storm, it was clear Cyclone Gabrielle would be particularly devastating in areas already affected by bad weather. The cyclone was colossal - stretching over 500 kilometres of wind and rain, moving slowly toward Aotearoa New Zealand. We responded quickly and decisively.

Our 24/7 National Forecast Centre prepared for the full-scale operational response. Staff were called back from leave, and extra hours and duties were assigned. With critical lessons learned from the Auckland Anniversary storm, everyone in MetService went into full emergency-response mode.

Our operational managers joined the National Crisis Management Centre operating in the Beehive bunker. They ensured that the National Emergency Management Agency (NEMA), along with Civil Defence Emergency Management had all the weather information they required to assign support and deliver response operations.

Our aviation team set up daily customer briefings and twice-daily email briefings to ensure all airlines and airports, the New Zealand Defence Force, and search and rescue organisations had detailed information on the cyclone's progress. This allowed airlines to relocate vulnerable aircraft away from danger zones to safer locations.

> ***"We were intensely interested in how Cyclone Gabrielle was developing, in case we had to quickly deploy our disaster relief response.***
> ***MetService was excellent in proactively feeding us information. This was especially critical in the days following the cyclone as we had four helicopters involved in rescue and recovery and needed to understand any weather impacts. Having those direct and timely weather updates was critical."***
>
> Jim Rankin, Staff Officer Aviation Services,
> Te Tauaarangi o Aotearoa
> (Royal New Zealand Air Force)



Waitangi Rd from above the Maraenui Golf Club, Napier
Photography by Corena

Our operational managers joined the National Crisis Management Centre operating in the Beehive bunker
Photo: Stuff Ltd

Daily briefings were also held for Waka Kotahi, Civil Defence, New Zealand Police, KiwiRail, Maritime NZ, local councils, energy companies and all our commercial clients.

Following the Auckland Anniversary floods and before the cyclone, we had doubled our digital capacity through our Sydney data centres, giving us better geographic resilience for significant surges in traffic to our website and app.

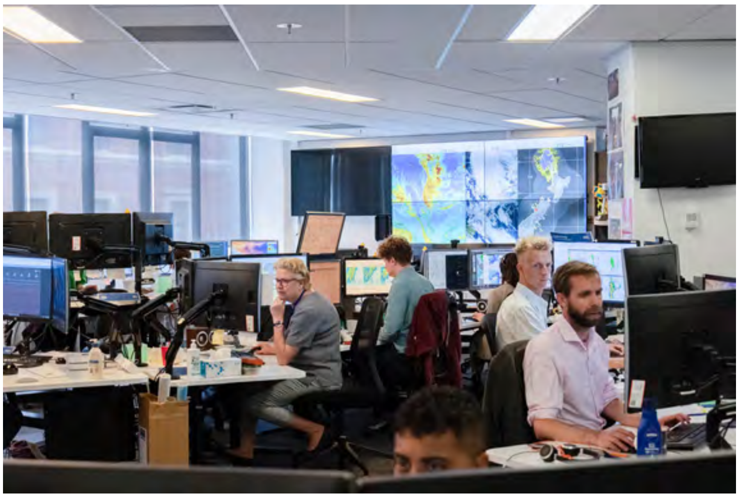
Leading up to, and during the cyclone, our team monitored the systems every few seconds to ensure the public had quick, reliable access to critical information.

We ensured our radar and observation infrastructure network remained safe and functioning throughout; this included undertaking an emergency mission to refuel the back-up generator on our Mahia radar, a vital source of information the region desperately needed.

Our team in MetOcean Solutions kept authorities and the public constantly updated on the storm surges that were also reducing the ability of flooded rivers to discharge into the ocean.

> ***"It was invaluable having Weather Operations Managers from MetService embedded in the National Crisis Management Centre underneath the Beehive – as well as input from their teams in head office and around the country.***
>
> ***They provided precise, customised forecasting for local regions, supporting workforce planning and critical response activity on the ground. MetService is a key partner for us, especially as flooding is the most frequent national hazard event in New Zealand."***
>
> Charlie Blanch
> National Controller North Island Severe Weather Event 2023, NEMA

Our weather communications teams worked day and night, providing media content, live interviews and a constant flow of video production so the public had access to the trusted information they needed to make the right decisions, often life and death decisions, to keep themselves safe.



Commemorative coin presented to members of our team following the event

At the height of the emergency, we had 80 weather forecasters analysing data. Several were reassigned from other roles within the organisation to ensure we had the necessary specialists to provide accurate, timely forecasting.

Cyclone Gabrielle was a devastating event that affected many and continues to do so. We asked a great deal of our people and they gave everything they had to help New Zealanders stay safe and make informed decisions. That is our role as the National Meteorological Service and we are proud to do it. Our heartfelt thanks go to everyone at MetService and our emergency provider partners. We believe that, together, we saved lives.

"The technical expertise and live messaging that comes from having someone from MetService embedded in our team is so important. It heightens our ability to proactively plan our emergency response based on impact-based weather information. This is a good and important partnership."

Paul Amaral
General Manager,
Auckland Emergency Management

Building a unique bicultural identity

This has been an important year for MetService. Through building internal foundations based on Te Tiriti o Waitangi and the Treaty principles, we have created opportunities for more meaningful connections and exchanges of knowledge.

Two of a series of Facebook posts created during Cyclone Gabrielle

Connecting with vulnerable communities during Cyclone Gabrielle

As part of our Crisis Management Team, our Pou Ārahi Francene Wineti (Te Atihanui-a-Pāpārangi, Ngāti Rangi, Ngāti Tuwharetoa, Ngāti Kahungunu ki Wairoa) quickly identified the need to communicate with vulnerable Māori communities that were in the path of Cyclone Gabrielle as best we could given the fast-moving situation and the cyclone's worst impacts.

We worked with Māori engagement specialist NAIA, which created tailored messages on how to prepare for the cyclone and what the impacts would be. These were shared through trusted online forums and networks such as the National Iwi Chairs Forum, Māori media channels, marae health networks and kura communities. The thoughtful, clear communications were widely shared, reaching the people we urgently needed to help.

This way of communicating, reflecting mātauranga Māori (Māori knowledge system), was a first for MetService and highly successful in a time of real need. We will use this understanding to better connect with Māori communities, especially in emergencies.

We want MetService to be an organisation that is reflective of Aotearoa New Zealand's unique, bicultural foundation and national identity. We value Māori culture, mātauranga Māori, the place of tāngata whenua as the indigenous people of Aotearoa New Zealand, and Te Tiriti o Waitangi. We recognise Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand.

We are committed to changing the way we work with Māori and engaging more effectively to build trust and relevance, and doing that in line with Te Tiriti o Waitangi and the Treaty principles, guided by our Rautaki Māori (Māori strategy).

Last year we appointed our first Pou Ārahi to lead our organisational bicultural transformation. Francene Wineti is clear that we must first build cultural authenticity to truly engage with, learn from and build trust with Māori.

Awatea (New Dawn) – our Cultural Capability Programme

This year we held a series of workshops for the Executive Leadership Team and other people leaders in the organisation. The two, two-day workshops, attended by 34 people, were facilitated by Awariki Ltd and focused on understanding the full context of Te Tiriti o Waitangi and our ongoing responsibilities as Treaty partners.

Twenty of our leaders then experienced an immersive overnight wānanga with Professor Rangi Mātāmua, and Che Wilson (of NAIA Ltd). This was held at Te Kopua Kokiri Centre in Whāingaroa/ Raglan, where we were hosted by Tainui a Tainui, the hapū and mana whenua of Whāingaroa.

Māori have centuries-long knowledge of the environment and weather using enduring frameworks to remain resilient through change and danger. Rangi and Che shared their valuable insights, along with their knowledge of te ao Māori and ways of thinking about the environment and weather from a mātauranga Māori perspective.

> ***"By valuing indigenous knowledge, we can be an exemplar model for other meteorological organisations around the world."***
>
> Francene Wineti
> MetService Pou Ārahi

Partnering to keep our country safe, resilient and on the move

MetService partners with organisations and local authorities around Aotearoa New Zealand and the world, sharing scientific weather insights that help keep people safe and vital assets secure. This came into sharp focus this year with Cyclone Gabrielle.

Emergency response on the ground, in the air - everywhere

As soon as Cyclone Gabrielle began forming, we sent warnings to all our emergency responders and commercial partners.

Aviation

For the aviation industry, including the New Zealand Defence Force, we set up daily online briefings and twice-daily email briefings, with detailed weather information on timings and severity and areas that would be affected. It meant vulnerable aircraft could be moved to safe locations and airports had clear views of when they would be able to reopen. Our swift and proactive response was highly appreciated by our customers.

Waka Kotahi

We initiated the same swift response for Waka Kotahi. Through our partnership we maintain a nationwide observation network with briefings and alerts 365 days a year. Since the Auckland Anniversary floods, we have further expanded our services to help Waka Kotahi manage and maintain vulnerable roading networks. A dedicated team of 12 weather consultants provides daily road weather forecasts and briefings for 18 key roads, plus on-call regional briefings when severe weather threatens.

Auckland Council

Auckland was one of the first regions affected by the extreme weather this year. From the first event on anniversary weekend, we embedded a weather forecaster within Auckland Council's Emergency Management team.

"Trust is everything in emergency situations. Being onsite and part of the council emergency team for over a decade has meant we're highly effective in working together to help keep the region safe and to recover well."

Georgina Griffiths
MetService Manager Consulting

Our expert weather consultant was on site for several weeks in January and February, sharing the latest weather data and impact-based forecasting so the council could deal confidently with emergencies as they unfolded. She briefed all operational teams involved with lifeline services such as power, roading, water and sewerage. She also briefed the Mayor and transport teams, (including Auckland Airport and the ferries) and was present at media briefings.

As a long-time Aucklander with a deep knowledge of the region, our consultant believed that the combination of local understanding and MetService's world-leading forecasting made a vital difference.

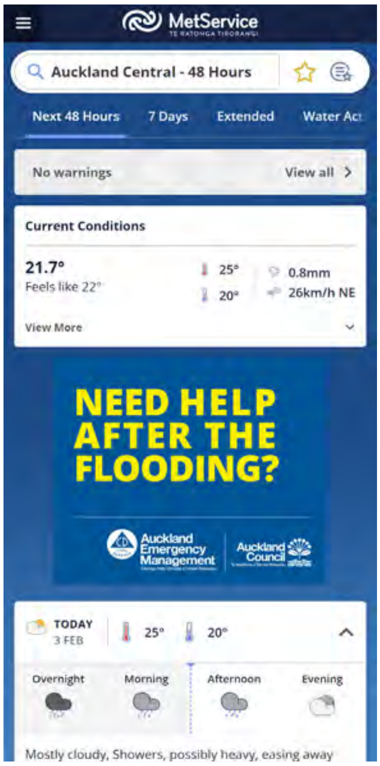
Information access over advertising

During Cyclone Gabrielle we wanted our website and app users to have swift, direct access to urgent weather information, so all high-impact advertising was removed. We went a step further and blocked advertising for a total of six weeks in areas most affected by the cyclone.

While advertising is an important revenue source for MetService, this was an obvious and easy decision to make. We also moved quickly to offer free advertising space to the NEMA and Auckland Council so they could share vital safety messaging. Key charities were also offered free advertising space to assist in fundraising for those affected.

To ensure our advertising and commercial partners had the most up-to-date information, we sent them twice-daily weather updates so they could adapt their messaging for their own staff and customers during the emergency.

The MetService website and app are two of the most trusted communication channels in Aotearoa New Zealand. Our website is the country's third most visited, and during the cyclone our app experienced a record 50,000 downloads a day. Weather drives decision-making, particularly in times of emergency, so we are very aware of the vital role we play in people's lives. We will always ensure that quick, reliable access to trusted weather information comes first.



"MetService red alerts bring an increased level of focus and these early warnings support Waka Kotahi's preparation for the likely impacts on travellers across the key highway lifelines.

During Cyclone Gabrielle the accurate forecasting of this high-impact event allowed sufficient time to stand up our national emergency response team."

Mark Owen
Regional Manager Maintenance & Operations – Wellington/Top of the South Island. Waka Kotahi

Other key commercial project successes

- We completed a major project for the French Government through the French Pacific Fund. Working with partner and climate risk specialist, CLIMsystems, we delivered the first detailed climate risk assessment of Wallis and Futuna, a French island near Tuvalu. We published, detailed material on the potential impacts of climate change on local infrastructure and resources.
- Watercare is New Zealand's largest company in the water and wastewater industry. We worked with the company to understand its requirements in terms of severe weather awareness. This work resulted in the delivery of targeted weather information services used in the Watercare Nerve Centre.
- We worked with Auckland University of Technology to design a weather service that would ensure minimal disruption to the campus during severe weather. This involves a team of expert meteorological consultants creating targeted forecasts that are triggered by pre-defined storm criteria.

Technical reliability and resilience

To sustain continuous and resilient operations, MetService has a robust technical foundation with multiple back-up options, providing a full and complete service - no matter what the weather throws at us.

Managing our surge capacity meant we were able to connect effectively with vulnerable communities during Cyclone Gabrielle

The sudden and fierce storm that pummelled Auckland during Anniversary Weekend had major impacts for Aucklanders. It also highlighted a potential issue for MetService around digital capacity – an issue we immediately set about rectifying.

We doubled our digital capacity through our Sydney data centres, giving us better geographic resilience and capacity for significant surges on our website and app. We also moved gateway systems to better cater for peak loads, without affecting internal performance. Thankfully, this was achieved in a very short space of time, because little did we know that Cyclone Gabrielle was about to make its appearance.

As soon as we understood the size and severity of the cyclone, we instigated a 'change freeze' period to avoid any unnecessary risks. We ensured all the right people were available to respond to issues and monitored our systems every few seconds.

During Cyclone Gabrielle our website was the busiest in the country. Early-morning peaks doubled, then trebled and stayed there all day. When NEMA sent out its emergency txt alerts, we experienced sudden traffic spikes on our website and app – and throughout all this our network held firm and performed well. While we came close to overload, we managed to maintain our capacity to serve up the vital information needed.

Starlink – a further boost to resilience

Since Cyclone Gabrielle, we've been piloting the Starlink connection as an option for our radar and weather stations. Currently we use fibre connectivity with 4G backup, but they could both fail during a significant outage, and we could lose a whole area.

Starlink provides not only resilience for our network but faster connectivity.

The pilot programme has been very successful and we are hoping to see our first radar linked to Starlink in September 2023.

Emergency flight to Mahia

With Cyclone Gabrielle hitting Hawke's Bay and Gisborne especially hard, we had to check that our main radar in the area had enough diesel to continue powering the backup generator – and that meant an emergency helicopter flight to Mahia.

On 17 February three of our technicians drove to Waipukurau to meet a helicopter from New Plymouth. They loaded 20-litre jerry cans into pods secured to the helicopter skids and flew into a scene of devastation. While the radar was still functioning, communications were down, so no information was being transmitted and our team had no idea how much diesel was left in the tank.

After circling the site to confirm a safe landing, our technicians transferred the diesel and refuelled the 400-litre generator, which had just 10 per cent of fuel remaining.

As the team flew back to Wellington, they were relieved to hear communications had resumed and critical information was again being shared with our forecasters.

Hamish Skinner, our Team Lead Electronics and Radar, was on the flight.

"We had to keep the radar running. We would have made that trip again and again if needed."

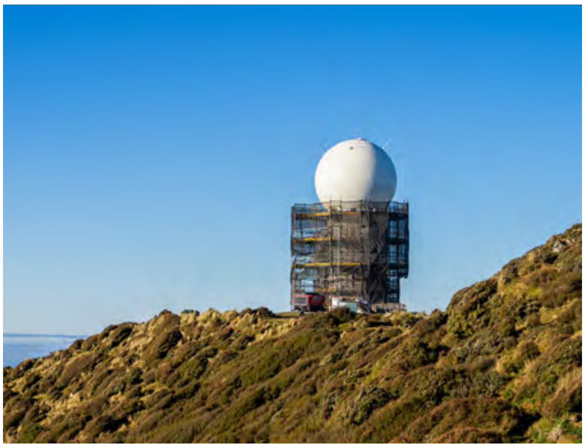
Photograph taken by our team from the helicopter on the way to Mahia, showing areas of flooding and silt

Wellington radar returns after major upgrade

In May, after a major upgrade, our Wellington rain radar was back in action. The $2.1-million upgrade involved replacing the 30-year-old radar hardware with new technology and strengthening the radar tower to meet modern seismic standards.

The radar uses the latest polarisation technology, which can identify different types of precipitation, be they rain, hail or snow. It provides coverage out to 300 kilometres encompassing Marlborough, Nelson, Wellington, Kāpiti Coast, Wairarapa, Horowhenua, Manawatū and Whanganui.

This is another example of MetService continually improving its forecasting tools and capabilities, as warning services become more and more important in our changing climate.



Wellington radar tower

Paula Jackson
(Appointed Chair from 1 July 2023)

Paula's career spans 25 years in marketing and channel management, holding leadership and executive positions at ANZ, Telecom (Spark), Vodafone and Xero.

Paula has held several directorships since starting her governance career in 2013, including with Quotable Value, Airways New Zealand and Marsello. She actively advises and invests in technology start-ups. Paula is currently on the board at Mercer NZ.

Paula is a member of Global Women and the Institute of Directors, and was selected for the Institutes's Mentoring for Diversity programme in 2017.

Martin Matthews
Chair, Audit, Risk and Assurance Committee

Martin is a professional director. He is currently a director of Kordia Group Ltd and the Wellington Museums Trust, Chair of the Finance, Risk and Assurance Committee for Greater Wellington Regional Council, and an independent member of the Audit and Risk Committee at Auckland Council.

Martin has previously held executive roles as Controller and Auditor-General, Secretary for Transport and Chief Executive of the Ministry for Culture and Heritage. Martin is a Fellow of Chartered Accountants Australia and New Zealand and a member of the Institute of Directors New Zealand.

Dave Moskovitz

Dave is a professional director and early-stage investor, and takes an active role in a number of start-ups, of which several focus on educational technology.

Dave provides consultancy services on innovation, entrepreneurship and technology for a variety of clients in the public and private sectors, and works with a number of community initiatives.

Dave serves as a Trustee of He Whenua Taurikura and Te Muka Rau, and on the boards of Starboard Maritime Intelligence and a number of early-stage companies. Dave is an advisor to the Christchurch Call Advisory Network and is a member of the Institute of Directors New Zealand.

Dr Te Tiwha Brendon Puketapu

Te Tiwha is a consultant with a background in governance and management roles with iwi, hapū and whānau entities, Māori land trusts, educational institutions and social organisations.

Te Tiwha has worked with a variety of organisations in the public service and state sector. Most recently he has been appointed as Specialist Advisor, Governance Facilitator Commissioner and Limited Statutory Manager in both Māori and English medium schools. Te Tiwha is currently the Chair of Ātihau-Whanganui Incorporation.

Victoria Spackman ONZM

Victoria is an independent director based in Wellington. Her governance roles include Chair of high-growth trans-Tasman technology company Ackama Group and director of New Zealand Trade and Enterprise, CDC Pharmaceuticals and Toi Mai Workforce Development Council, which serves the creative, cultural, technology and recreation sectors.

Victoria is also an independent director of communications company Acumen and co-owner and director of Gibson Group. She has been made an Officer of the New Zealand Order of Merit for services to theatre, film and television. Victoria is a member of the Institute of Directors New Zealand and SPADA.

Dr Alison Watters

Acting Chair, Chair People, Culture and Remuneration Committee

Alison is an experienced director with a background in science, agriculture, senior management, innovation and international sales and marketing. Alison is currently a director of Fonterra, Livestock Improvement Corporation and Totally Vets Ltd, and a board member of High Value Nutrition, the National Science Challenge.

Alison and her husband Andrew own a dairy farming business in Wairarapa and are foundation shareholders of MyFarm Investments Ltd.
Alison is a member of the Institute of Directors New Zealand.

Stephen Willis

Stephen is an experienced executive-level leader of highly complex and large multi-campus organisations in the healthcare, education and research sectors in Australia and Aotearoa New Zealand.

His diverse industry exposure includes the military, nursing, health service management, property management, property and campus development, project and portfolio management and complex corporate support services.

Stephen is currently the Chief Operating Officer at the University of Otago. He is a member of the Institute of Directors New Zealand.

The Directors are pleased to present an overview of the main governance practices of the Meteorological Service of New Zealand Ltd (MetService).

Shareholders

MetService established under the State-Owned Enterprises Act 1986 (SOE Act) and incorporated under the Companies Act 1993. As a State-Owned Enterprise, 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: Expectations for Crown companies and entities monitored by the Treasury (published on the Treasury's website) and in the letter of expectations sent to all SOEs each year.

Shareholder communication

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

The Board

The MetService Board may comprise up to nine directors, all of whom must be non-executive and independent. As at 30 June 2023, 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 director's unfettered and independent judgement.

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

The Shareholding Ministers appoint directors under the process described in the Owner's Expectations Manual.

Changes to the Board composition of MetService during the 2022/23 financial year included the resignation of Sophie Haslem as Chair, with effect from 31 March 2023. Alison Watters was appointed Acting Chair from 1 April 2023 to 30 June 2023 and Te Tiwha Brendon Puketapu was appointed as a director from 1 April 2023. It has subsequently been announced that Paula Jackson will be appointed Chair from 1 July 2023 and Te Tiwha Brendon Puketapu will be appointed Deputy Chair from 1 July 2023.

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 comprises Meteorological Service of New Zealand Ltd, MetraWeather (Australia) Pty Ltd and MetraWeather (UK) Ltd. Under the SOE Act MetService's principal objective is to operate as a successful business, including:

- to be as profitable and efficient as comparable businesses that are not owned by the Crown
- to be a good employer
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.

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

The Board is presented annually with a three-year business plan, which is consistent with the company's Strategic Objectives, 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

If circumstances warrant additional assurance, the Board or individual directors may request independent and additional advice at the company's expense to assist them in carrying out their responsibilities. Such requests are made in consultation with the Chair and facilitated through the Company Secretary.

Board meetings

In the last financial year, the Board met 12 times as scheduled (together with additional meetings as required). The Board also holds a strategic planning session each year to consider strategic issues in conjunction with the Chief Executive and the Executive Leadership Team.

Board member	Board meeting attendance (Total 12 meetings were held for FY 2022/23)
Sophie Haslem*	10/10
Dave Moskovitz	11/12
Victoria Spackman	12/12
Stephen Willis	11/12
Alison Watters	11/12
Paula Jackson**	10/11
Martin Matthews**	11/11
Te Tiwha Brendon Puketapu***	1/2

* End of term 31 March 2023
** Start of term 1 July 2022
*** Start of term 1 April 2023

The Chief Executive attends all Board meetings. Other managers may attend Board meetings in relation to matters specific to their areas of responsibility. Directors have other opportunities, including site visits, for contact with employees.

Board committees

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

During 2022/23 the Common Digital Subcommittee was established; it also has a formal charter approved by the Board.

The purpose of this subcommittee is to provide governance oversight to ensure MetService effectively and efficiently delivers the Common Digital Platform component of the Digital Transformation Project. The Chair of this subcommittee is Martin Matthews.

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

Audit, Risk and Assurance Committee

The Audit, Risk and Assurance Committee is chaired by Martin Matthews and normally comprises two other directors. The committee holds up to four meetings a year and may hold additional meetings as required. The committee assists the Board in discharging its risk management, accounting and financial reporting responsibilities, including:

- assisting the Board to meet its financial reporting responsibilities under the Companies Act 1993, Financial Reporting Act 2013 and related legislation
- overseeing and reviewing the quality of external audits
- ensuring the company has a framework and methodologies in place that will ensure all strategic and business risks are thoroughly managed
- reviewing the company's risk and financial related policies and strategies and making recommendations to the Board
- advising the Board in relation to governance and compliance responsibilities.

People, Culture and Remuneration Committee

The People, Culture and Remuneration Committee is chaired by Alison Watters and currently comprises three directors. The committee holds up to three meetings per year and 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:

- reviewing the organisation's people, culture and remuneration strategies, policies and practices
- reviewing the remuneration framework and associated policies for the Chief Executive Officer and the Executive Leadership Team

- monitoring succession planning and reviews of the Chief Executive and Executive Leadership Team
- overseeing the appointment, performance and remuneration of the Chief Executive.

Wellbeing and safety

The Board continues to champion health, safety and wellbeing across the MetService Group. The Board has a core governance role that requires strong leadership on and oversight of all matters relating to health, safety and wellbeing. In particular, the Board is committed to supporting MetService in implementing, promoting and maintaining both the Health and Safety Management System and the Te Whare Tapa Whā Wellbeing framework. This ensures best practice standards are met and ensures, to the greatest extent possible, the health, safety and wellbeing of all employees, contractors and visitors to MetService offices and sites.

Both the Board and the Senior Leadership Team have refreshed their knowledge of their responsibilities under the Health and Safety at Work Act 2015 and have further enhanced their knowledge of MetService's critical risks. The Board's Wellbeing and Safety Charter is reviewed annually, and the Board supports the Good Governance Practices Guideline for Managing Health and Safety Risks produced by the Institute of Directors in New Zealand and WorkSafe New Zealand.

Risk management

The 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 policies 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 Assurance Committee periodically reviews the key risk profile
- internal controls are externally assessed with a risk-based internal audit plan, with the outcomes considered by the Audit and Risk Assurance Committee.

Integrity standards

The Board supports the principles set out in the Code of Practice for Directors as published by the Institute of Directors in New Zealand. 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
- act in accordance with their fiduciary duties.

Conflicts of interest

The Companies Act 1993, MetService's Constitution and Board Charter and the Owner's Expectations 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 pages 53 - 56 of this report.

Governance best practice

The Board has confirmed that its corporate governance policies, practices and procedures are in accordance with the Financial Markets Authority's Corporate Governance – Principles and Guidelines Handbook 2018, in the material respects for which they are appropriate for an SOE.

Number crunch

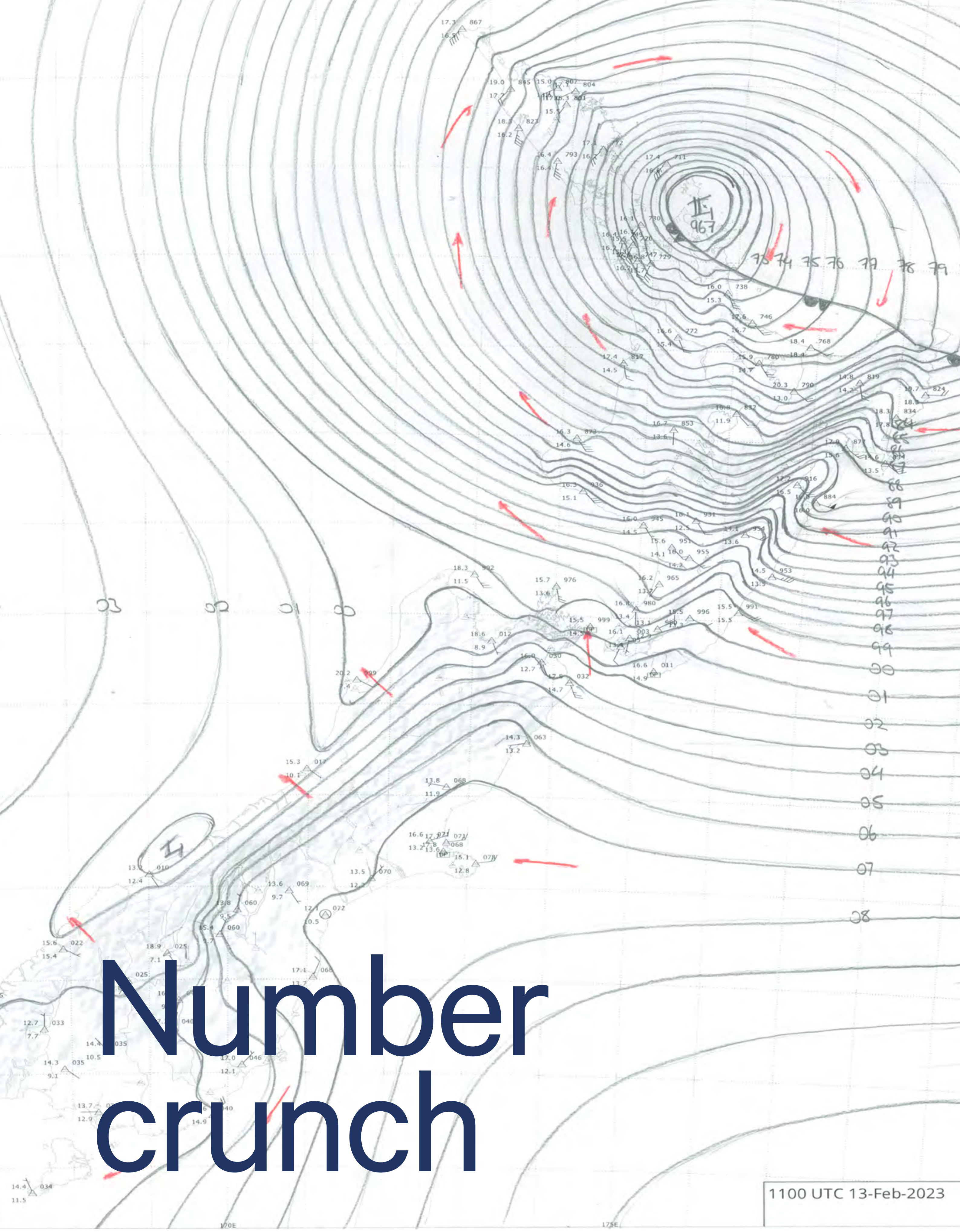


Image of Cyclone Gabrielle taken from a hand-drawn analysis by one of our expert meteorologists

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2023

	Note	Group 2023 $000s	Group 2022 $000s
Total Revenue and Other Income	3	**66,489**	**64,225**
Operating Expenses			
Collaboration / Subcontractor Costs		3,692	3,695
Employee Benefits Expense	4	33,917	32,914
Communication Costs		643	684
Network Observing Costs		2,204	2,323
IT Costs		5,332	5,787
Data Costs		4,961	4,525
Marketing Costs		545	395
Occupancy Costs		908	1,106
Office Expenses		292	312
Professional Expenses		1,740	1,180
Other Costs		2,243	2,695
Depreciation and Amortisation Expense	16,17,18	7,901	8,402
Total Operating Expenses	5	**64,378**	**64,018**
Operating Profit		**2,111**	**207**
Financial Costs	6	433	419
Profit/(Loss) Before Taxation		**1,678**	**(212)**
Taxation Expense/(Benefit)	7	351	(88)
Net Profit/(Loss) Attributable to Equity Holders		**1,327**	**(124)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Movement in Foreign Currency Translation Reserve		54	(37)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		**1,381**	**(161)**

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

Statement of Financial Position
as at 30 June 2023

	Note	Group 2023 $000s	Group 2022 $000s
Equity			
Issued Capital	8	5,000	5,000
Foreign Currency Translation Reserve		(486)	(540)
Retained Earnings		19,609	18,282
Total Equity		**24,123**	**22,742**
Liabilities			
Trade and Other Payables	9	8,250	7,691
Lease Liability	18	1,066	1,050
Employee Benefits	11	2,229	1,993
Total Current Liabilities		**11,545**	**10,734**
Provisions	12	619	650
Lease Liability	18	2,141	2,790
Employee Benefits	11	21	39
Borrowings	13	10,500	10,500
Total Non Current Liabilities		**13,281**	**13,979**
TOTAL LIABILITIES AND EQUITY		**48,949**	**47,455**
Assets			
Cash and Cash Equivalents	21	3,808	4,685
Trade and Other Receivables	10	7,816	7,006
Forward Foreign Exchange Contracts	22	4	22
Income Taxation Receivables		210	282
Inventories		658	360
Total Current Assets		**12,496**	**12,355**
Trade and Other Receivables	10	1,025	550
Deferred Taxation	7	404	495
Property, Plant and Equipment	16	17,617	15,534
Intangible Assets	17	14,362	14,786
Right-of-Use Asset	18	3,045	3,735
Total Non Current Assets		**36,453**	**35,100**
TOTAL ASSETS		**48,949**	**47,455**

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 11 September 2023.

P Jackson
Director

M Matthews
Director

Statement of Changes in Equity
for the year ended 30 June 2023

		Attributable to Owners			
GROUP 2023	Note	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2022		**5,000**	**18,282**	**(540)**	**22,742**
Net Profit		–	1,327	–	1,327
Currency Translation Differences		–	–	54	54
Total Comprehensive Income		**–**	**1,327**	**54**	**1,381**
EQUITY AS AT 30 JUNE 2023		**5,000**	**19,609**	**(486)**	**24,123**
GROUP 2022					
Equity as at 1 July 2021		**5,000**	**18,406**	**(503)**	**22,903**
Net Loss		–	(124)	–	(124)
Currency Translation Differences		–	–	(37)	(37)
Total Comprehensive Income		**–**	**(124)**	**(37)**	**(161)**
EQUITY AS AT 30 JUNE 2022		**5,000**	**18,282**	**(540)**	**22,742**

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

Statement of Cash Flows
for the year ended 30 June 2023

	Note	Group 2023 $000s	Group 2022 $000s
Cash Flow from Operating Activities			
Cash was Provided from:			
Receipts from Customers		65,811	61,976
Interest		150	22
Cash was Applied to:			
Payments to Suppliers and Employees		(56,321)	(54,561)
Interest Paid		(583)	(441)
Income Taxation Paid		(191)	(183)
Net Cash Generated by Operating Activities	20	**8,866**	**6,813**
Cash Flow from Investing Activities			
Cash was Provided from:			
Proceeds from Disposal of Property, Plant and Equipment and Intangibles		–	7
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangibles		(4,709)	(5,697)
Labour Capitalisation (Assets)	4	(4,017)	(4,343)
Net Cash Used by Investing Activities		**(8,726)**	**(10,033)**
Cash Flow from Financing Activities			
Cash was Applied to:			
Lease Liability - Principal Payments	18	(1,017)	(841)
Net Cash Used by Financing Activities		**(1,017)**	**(841)**
Net Decrease in Cash and Cash Equivalents		**(877)**	**(4,061)**
Add Cash and Cash Equivalents at the Beginning of the Year		4,685	8,746
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	**3,808**	**4,685**

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 2023

1. GENERAL INFORMATION

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Limited ('Parent') and its subsidiaries ('Group'). These financial statements were authorised for issue by the Board of Directors on 11 September 2023.

Meteorological Service of New Zealand Limited ('Parent') is a for-profit entity incorporated and domiciled in New Zealand. The address of its registered office is L2 / 110 Featherston Street, 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 financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).
The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013, and the State-Owned Enterprises Act 1986.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities.

Standards adopted for the first time

Not Applicable.

Standards that are not yet effective and have not been early adopted by the Group

None.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2023. 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 Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All transactions between Group companies are eliminated on consolidation.

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 business combination are measured initially at their fair values at the acquisition date.

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 financial statements of the Group.

Revenue

The Group derives revenue from delivering a range of weather services that directly support the safety of life and property. Revenue is recognised when control of a good or service transfers to the customer. The Group has segregated its revenue streams into portfolios.

Sales are made with a standard term of 30 days.
For each contract portfolio the five-step method was applied to assess the impact on revenue recognition.

Contracts with Customers - revenue recognised over time

- Forecasting data and licence - Over Time

  Revenue for the provision of forecasting data is recognised over the period the data is provided. Revenue for licences is recognised over the defined term that access is granted.

- Business to consumer - Over Time

  Revenue is recognised over the period of time in which the advertising space is made available on our website

- Consultancy - Over Time

  Revenue is recognised over the period that the service is received.

- Grants - Over Time

  Revenue is recognised over the period of the project, measuring progress towards completion based on costs incurred to date.

Contracts with Customers - revenue recognised at a point in time

- Hardware and one off data sales - Point in Time

  Revenue for hardware or data sold is recognised when the customer obtains control of the hardware or data.

Contract Liabilities - income received in advance are expected to be recognised within the next 12 months.

Government grants

Government grants are recognised as revenue when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Research & Development tax credits

Research & Development tax credits are reported as other revenue in the profit or loss statement based on 15% of the eligible expenditure.

Interest income

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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.

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 plus 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 Group include the costs of all materials used in construction and direct labour on the project. Costs are not capitalised until available for 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged as expenses in the Statement 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 costs 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% – 33.3%
Meteorological Equipment & Plant	2.5% - 33.3%
ICT Equipment, Vehicles & Furniture	8.0% – 33.3%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised as profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Leases NZ IFRS 16

The Group leases various land and building sites and IT equipment under lease arrangements. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to the Statement of Profit or Loss and Other Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease extension options were taken into consideration as a result of the adoption of NZ IFRS 16. When the Group recognises a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise any extension or termination options. It then uses the expected modified term under such options if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognised as a right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired investment 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.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill recognised as expenses in the Statement 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 ten 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 as expenses in the Statement 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.

Research and development costs

Research expenditure is incurred by the Group and is recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income in the period in which it is incurred. Development costs are capitalised when they meet the requirements for capitalisation of NZ IAS 38 Intangible Assets.

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, 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. Reestimates of the restoration provision are capitalised as part of the Right-of-Use Asset. Other movements are recognised as profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Employee benefits

Remuneration

The Board and management are committed to remuneration practices that are fair, transparent and appropriate, and which contribute to strong governance, shareholder value and Group performance. This starts with MetService's Remuneration Policy which is developed under the supervision of the Board's People, Culture & Remuneration Committee and approved by the Board. MetService's Remuneration Policy sets out the remuneration principles applying to all employees and is designed to ensure that MetService meets the strategic policy objective of attracting, rewarding and retaining staff with the requisite skills and capabilities to ensure our successful business outcomes.

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The People, Culture and Remuneration Committee oversees the implementation of our Remuneration Policy, including recommending to the Board remuneration for the position of Chief Executive Officer and other senior leaders, and budget parameters for the annual pay review. Employee fixed remuneration comprises a base salary, Employer Kiwisaver contributions (for participating employees), Group Income Continuance insurance as well as other work-related benefits such as a broadband allowance and on-site parking. Remuneration is reviewed yearly for employees, with any changes based on market movement and performance, effective from 1 July.

MetService does not offer a Long-Term Incentive scheme however members of the Executive Leadership Team and sales employees are invited to join a Short-Term Incentive (STI) scheme which forms part of the employment agreement. Any benefits from the STI scheme are in addition to the salary and other benefits agreed with the employee. The terms of the STI scheme set out the performance criteria to be met before any payments are made under the STI scheme.

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.

Tax

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 Statement 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'). The functional currency of MetraWeather (Australia) Pty Limited and MetraWeather (Thailand) Limited is New Zealand dollars and the functional currency of MetraWeather (UK) Limited is British pounds. These financial statements are presented in New Zealand dollars, which is 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 as profit or loss in the Statement 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 Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position.
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at monthly 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, 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 Statement of Profit or Loss and Other Comprehensive Income 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, trade and other payables, borrowings, lease liabilities, employee entitlements and forward contracts.

Management determined the classification of financial instruments at the initial recognition and re-evaluates the designation at each reporting date.

Financial assets

Trade and other receivables and cash and cash equivalents are initially measured at fair value plus transaction costs. Subsequently they are measured at amortised cost, including any expected credit loss allowance provisions. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

Impairment of financial assets

Collectability of trade receivables is reviewed on an ongoing basis and uncollectable debt is written off. A provision for impairment losses is recognised where there is objective evidence that the Group may not be able to collect some or all amounts due according to the original terms.

In addition to this, consideration is also given to other economic factors which could contribute to further expected credit losses.

The amount of the provision is recognised in profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

While cash and cash equivalents are subject to the impairment requirements of NZ IFRS 9, the identified impairment loss was deemed immaterial.

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.

Financial liabilities

Financial liabilities, including trade and other payables and borrowings, are initially measured at fair value, net of transaction costs. Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

The Group enters into forward exchange contracts, with gains or losses recognised in the Statement of Profit or Loss and Other Comprehensive Income. The classification within profit or loss depends on the purpose for which contracts were acquired.

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, including interest received and paid 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, including dividends paid.

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 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).

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 post-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 profit or loss in the Statement 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 profit or loss in the Statement 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 note:

Note 17: Intangible assets - measurement of goodwill impairment of subsidiaries and internally generated intangible assets.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2023

3. REVENUE AND OTHER INCOME	Group 2023 $000s	Group 2022 $000s
Contracts with Customers – revenue recognised over time	65,085	60,890
Contracts with Customers – revenue recognised at a point in time	603	848
Government grant income	306	2,075
Other	495	412
TOTAL REVENUE AND OTHER INCOME	**66,489**	**64,225**

Aviation revenue has been significantly impacted by COVID-19 in 2021, 2022 and 2023, however full services have continued to be provided. MetService has received a contribution towards a portion of the costs incurred in maintaining our aviation services through the essential transport connectivity fund (ETC). Total received for the current year is $31,000. (2022: $1.9m) A Flight Disruption Levy was agreed in principle with industry during 2022. This has resulted in adjustments to the transaction price of services already transferred to certain customers.

4. EMPLOYEE BENEFITS EXPENSE	Group 2023 $000s	Group 2022 $000s
Wages and Salaries	34,468	34,235
Kiwisaver / Superannuation Contributions	902	936
Labour Capitalised	(4,017)	(4,343)
Contractors/Temporary Staff	2,025	1,432
Other Employee Benefits	539	654
TOTAL EMPLOYEE BENEFITS	**33,917**	**32,914**

5. OPERATING EXPENDITURE	Group 2023 $000s	Group 2022 $000s
Profit for the year has been arrived after charging/(crediting)		
Access to training material through an online platform provided by PwC	–	1
Audit Fees of Financial Statements paid to PwC	238	196
Audit Fees related to Audit of Subsidiary MetraWeather (UK) Ltd paid to Crowe Clark Whitehall (CCW)	37	28
Audit Fees related to MetraWeather (Thailand) Ltd paid to Khun Natakorn	2	2
Directors' Fees	189	189
Fees Paid to CCW (UK) for Payroll and Accounting Services	28	22
Foreign Exchange Gains	(164)	(16)
Impairment of Intangible Assets	193	346
Impairment of Property, Plant and Equipment	4	704
Increase in Allowance for Impairment of Trade Receivables	–	3
Insurance	815	785
Loss on Disposal of Property, Plant and Equipment	23	35
Research Expenditure	1,832	1,495
Travel & Accommodation	634	124

5(i) Significant Items

During the 2020 financial year, MetService commissioned a seismic assessment of the Kelburn facility to assess the building against the latest building code standards which were updated in 2017. The assessed seismic capacity is in the earthquake risk category. Based on this assessment there is no legal requirement for seismic strengthening to take place.

In 2022, MetService investigated alternative options for seismic strengthening versus moving facilities permanently. As part of this process, and to continue the Parent's resilience project, one off costs were incurred to move the Parent's data centre off premise and to impair several physcial assets at the Kelburn premises.

A 36 month lease was signed for Level 2 / 110 Featherston Street, Wellington. Commencement date was 1 November 2021 and the business moved effective from 10 January 2022.

Operating Profit for 2022 included one off spend of $2.0m relating to the move of the data centre offsite (IT Costs), the costs involved with the move to Featherston Street (Building Maintenance) and Kelburn asset impairment (Other Expenses).

	Group 2023 $000s	Group 2022 $000
Operating profit	2,111	207
Data Centre move & Office Relocation	–	2,012
Operating profit excluding one off significant items	**2,111**	**2,219**

6. FINANCE COSTS – NET

	Group 2023 $000s	Group 2022 $000s
Interest Revenue		
Bank Deposits	150	22
Total Finance Income	**150**	**22**
Interest on Bank Overdrafts and Loans	456	317
Interest Expense - Lease Liability	127	124
Total Finance Costs	**583**	**441**
FINANCE COSTS – NET	**433**	**419**

7. TAXATION

	Group 2023 $000s	Group 2022 $000s
Profit or (Loss) Before Taxation	1,678	(212)
Prima Facie Taxation Thereon at 28%	470	(59)
Non-Deductible Legal Fees	3	2
Non-Deductible Expenditure	12	6
Prior Period Adjustment	19	(16)
R&D Tax Credit Received	(65)	–
Effect of Different Tax Rates in Other Jurisdictions	1	(2)
Effect of Change in Corporate Tax Rate - MetraWeather UK	(21)	–
Other	(68)	(19)
TAXATION EXPENSE/(BENEFIT)	**351**	**(88)**
Current Taxation	113	296
Prior Period Adjustment – Current Taxation	148	(14)
Deferred Taxation	219	(366)
Prior Period Adjustment – Deferred Taxation	(129)	(4)
TAXATION EXPENSE/(BENEFIT)	**351**	**(88)**
Deferred Tax		
Deferred tax liabilities arise from the following:		
TEMPORARY DIFFERENCES		
Property, Plant and Equipment	(912)	(467)
Net deferred tax liability	**(912)**	**(467)**
Deferred tax assets arise from the following:		
NZ IFRS 16 adjustment	46	30
Provisions and Other Liabilities	1,000	844
MetraWeather (UK) losses carried forward	270	88
Deferred tax asset	**1,316**	**962**
Deferred Taxation		
Opening Balance	495	125
On Profit for the Year	(219)	366
Prior Period Adjustment	128	4
CLOSING BALANCE	**404**	**495**
IMPUTATION CREDITS FOR USE	**10,395**	**10,280**

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.

8. ISSUED CAPITAL

	Group 2023 $000s	Group 2022 $000s
Authorised, Issued and Fully Paid Capital Consists of 5m Ordinary Shares	**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.

9. TRADE AND OTHER PAYABLES

	Group 2023 $000s	Group 2022 $000s
Trade Payables	1,897	2,648
Other Payables	1,255	1,407
Accruals	3,537	2,082
Contract Liability Income in Advance	1,561	1,554
TOTAL TRADE AND OTHER PAYABLES	**8,250**	**7,691**

9. (i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Group 2023 $000s	Group 2022 $000s
Revenue recognised that was included in the contract liability balance at the beginning of the period	1,554	1,999

10. TRADE AND OTHER RECEIVABLES

	Group 2023 $000s	Group 2022 $000s
Trade Receivables – Contracts with Customers	4,525	4,703
Allowance for Impairment	(70)	(70)
	4,455	**4,633**
Prepayments – current	2,401	1,665
Sundry Debtors – current	960	708
TOTAL TRADE AND OTHER RECEIVABLES – CURRENT	**7,816**	**7,006**
Prepayments – non current	392	550
Trade Receivables - Contracts with Customers - non current	633	–
TOTAL TRADE AND OTHER RECEIVABLES – NON CURRENT	**1,025**	**550**

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 $295,598 (2022: $211,968) 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.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2023

10. TRADE AND OTHER RECEIVABLES (CONTINUED)	Group 2023 $000s	Group 2022 $000s
Ageing Past Due Trade Receivables (Not Impaired)		
30–60 days	110	65
60–90 days	92	42
Above 90 days	94	105
TOTAL	**296**	**212**

Movement in the Allowance for Impairment		
Opening Balance as at 1 July	70	67
Increase in Loss Allowance	–	15
Impairment Losses Reversed	–	(12)
CLOSING BALANCE AS AT 30 JUNE	**70**	**70**

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.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Management has considered the impact the COVID-19 pandemic and subsequent economic environment has had on the customer base world wide and has adjusted the historical loss rates based on possible future outcomes.

Using an expected credit loss of 2%, Management have determined that the current provision is still appropriate. (2022: $70,000). There are no individual impaired trade receivables included in this provision. (2022: $nil)

11. EMPLOYEE BENEFITS	Group 2023 $000s	Group 2022 $000s
Annual Leave Entitlement	2,229	1,993
Termination Leave	21	39
TOTAL EMPLOYEE BENEFITS	**2,250**	**2,032**

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 Group. Only those employees with 10 years' service when the scheme closed are eligible for the benefit.

12. PROVISIONS	Group 2023 $000s	Group 2022 $000s
Non Current		
Restoration Provision	619	650
TOTAL NON CURRENT PROVISIONS	**619**	**650**

Restoration Provision		
Opening Balance as at 1 July	650	586
Additions	17	143
Increase in Provision	–	16
Effects of Changes in Discount Rates	(23)	(75)
Annual Usage	(25)	(20)
CLOSING BALANCE AS AT 30 JUNE	**619**	**650**

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 licence 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 the Campbell Island site. Planning began back in 2015 to safely remove asbestos and diesel tanks from the site and this work is ongoing. The Parent has used the ten-year government bond rate of 4.27% (2022: 3.56%) as the discount rate and assumed a 6.7% (2022: 6.9%) CPI increase on costs.

Contingent liabilities

Restoration Provision

Several lease agreements are held that do not include the requirements to restore the site on termination of the lease. Because the Parent 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 in 2023: $347,093 (2022: $323,452).

13. BORROWINGS	Group 2023 $000s	Group 2022 $000s
Secured		
Non Current		
Bank Loan	10,500	10,500
TOTAL BORROWINGS	**10,500**	**10,500**

In addition to the term loan facility, the Parent has a multi-option credit line facility with Westpac Banking Corporation to the value of $4 million. Interest is charged on drawn amounts at the cash rate plus a corporate margin of 90 basis points as at 30 June 2023. There is a line-of-credit charge of 0.60% per month on the commitment during that month.

The Parent has an ongoing term loan agreement with Westpac Banking Corporation. The loans have interest rates that are fixed for an agreed period of time and due for renewal between 19 December 2023 and 20 May 2025. The bank loans will mature on 30 June 2025. The average interest rate for the loans as at 30 June 2023 is 4.65% (2022: 3.0%). These loans are secured by a negative pledge that is 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 2023, all banking covenants had been complied with throughout the period.

Net Debt Reconciliation

Borrowings at 30 June 2023 were $10.5m, no change from 2022.

14. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 30 June 2023 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	Forecasting, Marketing and Promotion of Weather and Information Presentation Services.	Forecasting, Marketing and Promotion of Weather and Information Presentation Services.

Names	MetraWeather (Thailand) Limited	MetOcean Solutions Limited
Place of Incorporation and Operation	Thailand	New Zealand
Balance Date	30 June	30 June
Principal Activity	Marketing and Promotion of Weather and Information Presentation Services.	Non-trading – Name Protection Purposes

Closure proceedings continue for MetraWeather (Thailand) Limited.

15. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

Loans to/(from) Subsidiaries

The Parent provides funds to MetraWeather (UK) Limited via an intercompany account. Intercompany balances eliminate on consolidation.

Balances are interest-free and the Parent has no intention of requesting payment in the near future.

Compensation of Key Management Personnel

Key management personnel are paid in their capacity as employees and receive salaries and bonuses.

Key management personnel includes Directors and the Executive Leadership Team.

	Group 2023 $000s	Group 2022 $000s
Total Executive Leadership Team	1,461	1,505
Kiwisaver / Superannuation Contributions	44	44
Directors' Remuneration	189	189
	1,694	**1,738**

Compensation of the Chief Executive Officer

Total Chief Executive Officer (CEO)	415	385
Performance Pay Paid Relating to Prior Year*	106	52
Kiwisaver / Superannuation Contributions	15	15
	536	**452**

*Bonus payments are approved and paid after balance date and are therefore reported here on a "cash paid" basis.

Other Related Parties

A member of our key management personnel became a Director in Airwork Holdings Limited on the 1 June 2023. Airwork Holdings Limited owns Airwork Fixed Wing Limited. The Group provided standard aviation services, WxTrack subscriptions and VAAC charges to Airwork Fixed Wing Limited on standard terms and conditions to the value of $169,114. (2022: $152,548)

The average credit period on sales of goods and services is 30 days. No interest is charged on trade receivables overdue. As at 30 June 2023, Airworks owed $24,090, with $10,694 owing between 30-60days.

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 ultimate shareholder of the Group is the Crown and the Group undertakes many transactions with other State-Owned Enterprises, Crown Entities and Government Departments in the normal course of business which are not disclosed here.
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.

16. PROPERTY, PLANT & EQUIPMENT

GROUP 2023	Land & Buildings $000s	Meteorological Equipment & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Capital Work In Progress $000s	**Total $000s**
Cost	5,929	30,154	4,411	1,031	**41,525**
Accumulated Depreciation and Impairment	(1,776)	(18,829)	(3,303)	–	**(23,908)**
CARRYING AMOUNT	**4,153**	**11,325**	**1,108**	**1,031**	**17,617**
Opening Carrying Amount 1 July	1,747	9,755	1,046	2,986	**15,534**
Additions at Cost	10	210	373	3,483	**4,076**
Disposals	(16)	(31)	(12)	–	**(59)**
Asset Impairment	–	–	(4)	–	**(4)**
Depreciation	(256)	(1,246)	(428)	–	**(1,930)**
Work In Progress Movement	2,668	2,637	133	(5,438)	–
NET BOOK VALUE AS AT 30 JUNE	**4,153**	**11,325**	**1,108**	**1,031**	**17,617**

GROUP 2022	Land & Buildings $000s	Meteorological Equipment & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Capital Work In Progress $000s	**Total $000s**
Cost	10,081	28,012	7,598	2,986	**48,677**
Accumulated Depreciation and Impairment	(8,334)	(18,257)	(6,552)	–	**(33,143)**
CARRYING AMOUNT	**1,747**	**9,755**	**1,046**	**2,986**	**15,534**
Opening Carrying Amount 1 July	2,292	10,316	729	801	**14,138**
Additions at Cost	83	345	913	3,177	**4,518**
Disposals	(24)	–	(6)	–	**(30)**
Asset Impairment	(396)	–	–	(308)	**(704)**
Depreciation	(508)	(1,290)	(590)	–	**(2,388)**
Work In Progress Movement	300	384	–	(684)	–
NET BOOK VALUE AS AT 30 JUNE	**1,747**	**9,755**	**1,046**	**2,986**	**15,534**

17. INTANGIBLE ASSETS

GROUP **2023**	Goodwill	Software	Customer Base	Capital Work In Progress	**Total** **$000**
Cost	3,025	61,969	412	4,998	**70,404**
Accumulated Amortisation	–	(55,630)	(412)	–	**(56,042)**
CARRYING AMOUNT	**3,025**	**6,339**	–	**4,998**	**14,362**
Opening Carrying Amount 1 July	3,025	7,144	–	4,617	**14,786**
Additions at Cost	–	–	–	4,650	**4,650**
Asset Impairment	–	(193)	–	–	**(193)**
Amortisation Expense	–	(4881)	–	–	**(4,881)**
Work in Progress Movement	–	4,269	–	(4,269)	**-**
NET BOOK VALUE AS AT 30 JUNE	**3,025**	**6,339**	–	**4,998**	**14,362**

GROUP **2022**	Goodwill	Software	Customer Base	Capital Work In Progress	**Total**
Cost	3,025	60,446	412	4,617	**68,500**
Accumulated Amortisation	–	(53,302)	(412)	–	**(53,714)**
CARRYING AMOUNT	**3,025**	**7,144**	–	**4,617**	**14,786**
Opening Carrying Amount 1 July	3,025	8,645	–	3,083	**14,753**
Additions at Cost	–	9	–	5,484	**5,493**
Asset Impairment	–	(346)	–	–	**(346)**
Amortisation Expense	–	(5,114)	–	–	**(5,114)**
Work in Progress Movement	–	3,950	–	(3,950)	**-**
NET BOOK VALUE AS AT 30 JUNE	**3,025**	**7,144**	–	**4,617**	**14,786**

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 $123 per hour (2022: $108) and Network Engineer's rate is $80 per hour (2022: $72). These rates were determined by using the appropriate overheads for each area, along with the average hourly rate for employees developing these assets.

Impairment test for goodwill

Goodwill of $600,000 is allocated to MetraWeather (UK) Ltd. The recoverable amount has been determined based on a value-in-use calculation. This year the model has used the forecast cash flows to 2024, incorporating the impact of COVID-19. The discount rate is based on the Group's Weighted Average Cost of Capital. At 30 June 2023, a pre-tax discount rate of 10.6% (2022: 9.78%) was applied in the model. A terminal growth rate of 2.0% was applied to the model. This was based on an allowance for inflationary growth.

Goodwill of $2.425m is related to the acquisition of MetOcean Solutions Limited. The goodwill has been allocated to the Meteorological Service of New Zealand Limited CGU, as it continues to benefit from the business acquisition. The recoverable amount has been determined based on a Group valuation prepared by an independent external valuation expert. This is based on fair value less costs to sell, using a four-year discounted cash flow (DCF) which has been cross-checked against comparable company multiples. The discount rate is based on the Group's Weighted Average Cost of Capital. At 30 June 2023, a pre-tax discount rate of 10.6% (2022: 9.78%) was applied to the model. A terminal growth rate of 2.0% was applied to the model. This valuation is level 3 in the fair value hierarchy. A reasonable possible change in assumption would not result in impairment.

18. LEASES

The Group as Lessee:

18(a) Right-of-Use Asset

	Group 2023 $000s	Group 2022 $000s
Land & Buildings	2,939	3,534
Asset Retirement Obligation	106	201
CARRYING AMOUNT AS AT 30 JUNE	**3,045**	**3,735**

Additions to the right-of-use assets during the 2023 financial year were $207,000 (2022: $1.7m)

18(b) Lease Liability

	Group 2023 $000s	Group 2022 $000s
Current portion of lease liability	1,066	1,050
Non-current portion of lease liability	2,141	2,790
CARRYING AMOUNT AS AT 30 JUNE	**3,207**	**3,840**

18(c) Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

The Profit or Loss Statement includes the following amounts relating to leases, exclusive of the amounts above.

	Group 2023 $000s	Group 2022 $000s
Expense relating to low-value assets	19	116
Expense relating to short term leases	32	41
Depreciation charge of right-of-use asset	978	806
Depreciation charge of asset retirement obligation	112	94
Interest expense (included in finance costs)	127	125

18(d) Amounts recognised in the Cash Flow Statement

	Group 2023 $000s	Group 2022 $000s
Principal lease payments (included in financial activities)	1,017	841
Interest expense (included in operating activities)	127	125
Short term, low-value assets and variable lease payments (included in operating activities)	51	157
	1,195	**1,123**

18. LEASES (CONTINUED)

18(e) Contractual Maturities for Lease Liabilities

	Group 2023 $000s	Group 2022 $000s
Less than Six Months	567	548
Six to Twelve Months	515	517
Between One and Two Years	447	1,026
Between Two and Five Years	661	824
Over Five Years	1,840	1,680
Total Contractual Cash Flows	**4,030**	**4,595**
Carrying Amount	**3,207**	**3,840**

The Group as Lessor:

While a decision was being made around the future of the premises at 30 Salamanca Road, Kelburn, a short term leasing arrangement was in place for two levels. This ended 16 May 2023.

19. DIVIDENDS

As at balance date, there has been no provision made for a final dividend. The Group is not planning on paying a dividend for this financial year. The Group's dividend policy is to distribute in the range of 15% to 40% of net cash flows from operating activities, less maintenance capital expenditure.

20. RECONCILIATION OF NET PROFIT/(LOSS) WITH CASH FLOW FROM OPERATING ACTIVITIES

	Group 2023 $000s	Group 2022 $000s
Reconciliation of Net Profit/(Loss) with Cash Flow from Operating Activities		
Net Profit or (Loss) for the Year	1,327	(124)
Non Cash/Non Operating Items		
Depreciation and Amortisation	7,901	8,402
Increase/(Decrease) in Deferred Tax	91	(370)
Gain on Forward Foreign Exchange Contracts	(4)	(22)
Impairment losses on PPE and Intangibles	197	1,050
Loss on Disposal of Fixed Assets	23	35
Increase in Restoration Provision	16	16
Less Restoration Provision unwound	(49)	(95)
Other Non Cash Operating Items	78	(30)
INCREASE IN NON CASH ITEMS	**8,253**	**8,986**
Movements in Working Capital		
Increase in Receivables	(1,285)	(1,576)
Increase/(Decrease) in Accounts Payable and Accruals	795	(551)
Decrease in Income Taxation Payable	74	131
(Increase) in Inventories	(298)	(53)
Total Movement in Working Capital	**(714)**	**(2,049)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**8,866**	**6,813**

21 . 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 2023 $000s	Group 2022 $000s
TOTAL CASH AND CASH EQUIVALENTS	**3,808**	**4,685**

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

22. FINANCIAL RISK MANAGEMENT

Financing 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 less favourable than those currently in place. The main objectives of the management of financing risk are 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 shareholders through the optimisation of the debt and equity balance. This year it was agreed with Treasury to not pay an annual dividend.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 13, 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 on a monthly basis.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Total Leverage Ratio – requires debt to remain lower than 3 times EBITDA.
- Interest Cover Ratio – requires EBITDA to be greater than or equal to 3 times the interest expense.
- Change in Ownership – any sale of shares must be advised immediately to the bank.
- Event of Review – the Group must advise the bank if the Ministry of Transport contract is cancelled or renewed on less favourable terms, including if revenue is reduced by 25%.

The Group has complied with all covenants throughout the reporting period. As at 30 June 2023, the interest cover was 22.0 (2022: 27.1) and the leverage ratio was 1.05 (2022: 0.68).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments by category

Categories of Financial Instruments	Group 2023 $000s	Group 2022 $000s
Assets		
FINANCIAL ASSETS AT AMORTISED COST		
Cash and Cash Equivalents	3,808	4,685
Trade and Other Receivables	6,048	5,341
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Forward Foreign Exchange Contracts	4	22
TOTAL FINANCIAL LIABILITIES	**9,860**	**10,048**

Categories of Financial Instruments	Group 2023 $000s	Group 2022 $000s
Liabilities		
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and Other Payables	6,393	5,746
Borrowings	10,500	10,500
Lease Liabilities	3,207	3,840
TOTAL FINANCIAL LIABILITIES	**20,100**	**20,086**

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 in the types of risks the Group is exposed to.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and price risk), credit risk and liquidity risk.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Group manages this through forward exchange contracts taken out in line with the Board-approved Treasury Policy.

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 2023 $000	Liabilities 2022 $000	Assets 2023 $000s	Assets 2022 $000s
Group				
US Dollars	163	276	727	487
British Pounds	–	4	559	257
Euro	308	128	521	602
Australian Dollars	42	94	1,581	1,545
Thai Baht	–	10	9	9
Malaysian Ringgit	–	–	4	2
Japanese Yen	–	7	–	–
	513	**519**	**3,401**	**2,902**

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 $263,000 (2022: $217,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by $648,000 (2022: $396,000).

Forward Foreign Exchange Contracts

Forward Foreign Exchange Contracts are reported at fair value through Profit or Loss Statement and are all held for trading.

	Group 2023	Group 2022
	$000s	$000s
Fair Value (Gain)/Loss on contracts held	(4)	(22)

Interest rate risk management

The Group manage interest rate risk by borrowing funds at fixed interest rates and maintaining an appropriate level of debt.

If interest rates had been 1% higher and all other variables were held constant, Group profit and equity would have decreased by $105,000. (2022: $525,000, 5%). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by $105,000 (2022: $525,000, 5%).

Credit risk management

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

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

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

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Parent has access to financing facilities, the total unused amount of which is $4m (2022: $4m) at the balance 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.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Liabilities

		Group 2023 $000s
	Borrowings $000s	Interest Payable $000s
<6 Mths	–	244
6-12 Mths	–	244
1–5 Yrs	10,500	489
5+ Yrs	–	–
	10,500	**977**

		Group 2022 $000s
	Borrowings $000s	Interest Payable $000s
<6 Mths	–	158
6-12 Mths	–	158
1–5 Yrs	10,500	630
5+ Yrs	–	–
	10,500	**946**

It is likely that the Group will be rolling over this facility past five years.
Trade and other payables and employee benefits, excluding termination leave, are repayable within the next six months.

23. COMMITMENTS

	Group 2023 $000s	Group 2022 $000s
Capital commitments for the acquisition of property, plant and equipment	110	1,277
Commitments for future leases*	660	–

*In June, management agreed to extend the current lease at L2 / 110 Featherston Street through to 31 October 2027 while the Company looks for more suitable permanent premises. However, the Company intends to exercise the right to terminate by the end of 31 December 2025. The extension is effective from 1 July 2023 therefore has not been included in the Right of Use or Lease Liability in Note 18 as at 30 June 2023.

24. SUBSEQUENT EVENTS

On the 26 July 2023, the Government announced Project Hau Nuku, a review into New Zealand's national weather forecasting system. The Groups role in the system is intended to be in the scope of this review. It is anticipated that the review's final report will be with the Government for consideration in February 2024. It is currently not known what implications may arise, if any, for the Group as a result of the review and the Government response.

On 29 August 2023, the Company signed a deed of nomination for new premises in the Wellington CBD. The lease is expected to commence December 2025 for a term of 10-15 years.

TO THE READERS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Sarah Turner, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Group on his behalf.

Our opinion

We have audited the financial statements of the Group on pages 25 to 49, that comprise the Statement of Financial Position as at 30 June 2023, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2023; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalent to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 11 September 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

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

The Board of Directors responsibilities arise from the State Owned Enterprises Act 1986.

Responsibilities of the auditor for the audit of the financial statements

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 24 and 53 to 61, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

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

For and on behalf of:

Sarah Turner PricewaterhouseCoopers

Sarah Turner
On behalf of the Auditor-General
Wellington, New Zealand

PricewaterhouseCoopers

Statutory Information

Results of operations

	2023 $000s	2022 $000s
Net Profit or (Loss)	1,327	(124)
Retained Earnings at Beginning of the Year	18,282	18,406
Retained Earnings at End of the Year	19,609	18,282

Changes in accounting policies

There have been no material changes in accounting policies during the year. The policies are set out on pages 29–34.

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
$100,001 – $110,000	37
$110,001 – $120,000	21
$120,001 – $130,000	21
$130,001 – $140,000	25
$140,001 – $150,000	9
$150,001 – $160,000	10
$160,001 – $170,000	10
$170,001 – $180,000	2
$180,001 – $190,000	2
$190,001 – $200,000	1
$200,001 – $210,000	3
$220,001 – $230,000	2
$260,001 – $270,000	1
$270,001 – $280,000	2
$290,001 – $300,000	2
$300,001 – $310,000	1
$310,001 – $320,000	1
$330,001 – $340,000	1
$340,001 – $350,000	1
$530,001 – $540,000	1

Donations

Donations were made to Wellington City Mission ($500) and Antartic Heritage Trust ($200,000).

Auditor

The Auditor for the Group is Sarah Turner, 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 $237,700. (2022: 195,740)

The amount in respect of the year for other services provided by PricewaterhouseCoopers was $nil (2022: $595).

Directors' fees

The total fees payable to members of MetService Board during the financial year was $189,063. The total Board fees are within the amount authorised by the Shareholding Ministers.

Alison Watters (Deputy / Acting Chair)	$31,753
Sophie Haslem (Chair) (resigned 31 March 2023)	$35,172
Te Tiwha Brendon Puketapu (started 5 April 2023)	$5,578
Dave Moskovitz	$23,448
Martin Matthews (started 8 July 2022)	$23,108
Paula Jackson (started 8 July 2022)	$23,108
Stephen Willis	$23,448
Victoria Spackman	$23,448
Total Directors' Remuneration	**$189,063**

Directors' and employees' indemnity and insurance

MetService has insured the Directors and employees against any costs or liabilities of the type referred to in s162(5) 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 2023 are:

Director	Company	Nature of Interest
Alison Watters (Acting Chair, 1 April to 30 June 2023) (Deputy Chair, 1 November 2022 to 31 March 2023) (Chair People Culture and Remuneration Committee)	Fonterra LIC Agritechnology Company Limited Livestock Improvement Corporation Limited Totally Vets Limited	Director
	Agriculture Resources Limited Aginvest Holdings Limited Taumata Island Dairy Limited	Shareholder
Sophie Haslem (Chair, resigned 31 March 2023)	Centreport Captive Insurance Ltd (inactive) CentrePort Properties Limited LIC Agritechnology Company Limited Ngāi Tahu Holdings Corporation Payment NZ Limited	Director
	CentrePort Limited	Deputy Chair Chair of Audit and Risk Committee Chair of Remuneration Committee
	Kordia Group Limited Livestock Improvement Corporation Limited Rangatira Limited	Director Chair of Audit and Risk Committee
	Omphalos Limited	Director/Shareholder
Te Tiwha Brendon Puketapu (started 5 April 2023)	T Hou Farms Limited	Director
	Ātihau Whanganui Māori Land Incorporation Toitū te Whenua Māori Land Trust	Chair
	Ātihau Trust Korowaitia Whānau Trust Ranana Marae Reservation Trust	Trustee
	Omuturangi 6E & 7A Māori Land Trust	Advisory Trustee
Dave Moskovitz	Catalyst Cloud Limited Xerra Earth Observation Limited	Director
	Te Taura Whiri I te Reo Māori Victoria University of Wellington	Contractor – Support for Freelex Lexicography database systems
	NZ Tech Alliance	Member / Contractor – EdTechNZ Future Focus project
	Registered marriage celebrant	Contractor
	EdTech New Zealand Council	Member / Councillor
	Global Entrepreneurship Network NZ	Trustee / Chair
	Jaipuna Limited	Director/ Shareholder/Chair
	Arabic Digital Reform Institute	Advisor/ Shareholder

Statutory Information (Cont.)

Dave Moskovitz (Cont.)	Golden Ticket Limited	Director/Shareholder
	Hyperstart Limited	
	Think Tank Consulting Limited	
	WebFund Limited	
	WebFund Smartshow Holdings Limited	
	WebFund Golden Ticket Holdings Limited	
	Wellington Abrahamic Council	Co-chair/ Councillor
	He Whenua Taurikura	Trustee
	Te Muka Rau Charitable Trust	
	Moskovitz Frykberg Family Trust	Trustee / Beneficiary
	Think Tank Brains Trust	
	The Christchurch Call Advisory Network	Advisor
	Admin Innovation Limited	Shareholder
	Celsias Limited	
	Cloud Cannon Limited	
	Cloudsource Holdings Limited	
	Common Ledger Limited	
	Conscious Consumers Limited (CoGo)	
	Open Accounting Data Limited	
	Ponoko Limited	
	Sharesies Limited	
	Showgizmo Limited	
	Tapi Limited	
	Thought-Wired Limited	
	Upstock Limited	
	VidApp Limited	
	WIP APP Limited	
	Climate VC Fund	Limited Partner
	Lightning Lab 2013 Limited Partnership	
	Lightning Lab 2014 Limited Partnership	
	Lightning Lab XX Limited Partnership	
	Movac Fund 5 2020 Limited Partnership	
	Startmate NZ 2020 Limited Partnership	
	AngelHQ	Member
	ICE Angels	
	Institute of Directors NZ	
	InternetNZ	
	NZ Open Source Society	
	NZ Rise	
	Privacy Foundation NZ	
	Royal Society	
	Tohatoha Creative Commons NZ	
	Wellington Progressive Jewish Congregation	Lay leader / Member

Martin Matthews (started 8 July 2022) (Chair, Audit and Risk Assurance Committee)	Kordia Group Limited Martin Matthews Consulting Ltd Mongravia Enterprises Ltd	Director
	Wellington Museums Trust	Director/Trustee Chair - Audit and Risk Committee
	Greater Wellington Regional Council	Chair - Finance, Risk and Assurance Committee
	Ohmio Automation Limited	Strategic Advisor Member of Advisory Board
	Auckland City Council	Audit and Risk Committee
Paula Jackson (started 8 July 2022)	Paula Jackson Consulting Limited	Director/Shareholder
	Atomic.IO Limited CGL Investments Martinborough Properties Limited Upstock Limited	Shareholder
	Mercer NZ Ltd	Non-executive Director
	Ruamahanga Health Trust	Trustee
	Global Women Institute of Directors NZ	Member
Stephen Willis	University of Otago	Chief Operating Officer
	Presbyterian Support Otago	Board member
Victoria Spackman	Acumen New Zealand Limited Acumen Trust Limited CDC Pharmaceuticals Limited Tinakori Katoa Investments Limited Undergroundsound Limited	Director
	Allegra Productions Limited Browley & Silver Limited (Trustee for V&A Trust) The Gibson Group Limited & Associated Companies	Director/ Shareholder
	Ackama NZ Limited & Associated Companies	Director/Chair
	Tinakori Katoa Trust The Paul Spackman Family Trust	Trustee
	Katherine Mansfield Birthplace Society New Zealand Trade and Enterprise Toi Mai Workforce Development Council	Board member
	SPADA Institute of Directors NZ	Member
	Spackman Property Services Limited	Shareholder
	Uno Loco Limited/HULA Design	Chair of the Advisory Board

Directors' statement

This Annual Report is for the period 1 July 2022 to 30 June 2023 and is signed on behalf of Meteorological Service of New Zealand Limited's Board of Directors.

P Jackson
Director

M Matthews
Director

Key Performance Indicators
Financial

	Statement of Corporate Intent	Actual 2023	Actual 2022
1. Shareholder Returns			
Total Shareholder Return	0.0%	0%	(1.9%)
Dividend Yield	0.0%	0%	0%
Dividend Payout	0.0%	0%	0%
Return on Equity (ROE)	1.5%	5.7%	(0.5%)
Return on Funds Employed	3.1%	6.2%	0.6%
2. Profitability/Efficiency			
NPAT	324	1,327	(124)
Normal Trading EBIT	1,000	2,111	2,219
EBIT	1,000	2,111	207
EBITDA	9,095	10,012	8,609
Asset Turnover	1.44	1.38	1.37
Operating Margin (EBITDA)	14.2%	15.1%	13.4%
Operating Margin (Normal Trading)	1.6%	3.2%	3.5%
Operating Margin (EBIT)	1.6%	3.2%	0.3%
3. Leverage/Solvency			
Gearing Ratio (net)	23.8%	21.7%	20.4%
Interest Cover	16.5	17.2	19.5
Solvency	1.04	1.10	1.15
Debt Coverage Ratio	10.5	5.0	50.8
4. Bank Covenants			
Interest Cover ratio* (>3)	20.2	22.0	27.1
Total Leverage ratio (<3)	1.15	0.70	0.68
5. Growth/Investment			
Revenue Growth	2.1%	3.5%	8.0%
EBITDA Growth	5.6%	16.3%	4.7%
NPAT Growth	161.2%	1170.2%	(79.2%)
Capital Renewal**	1.22	1.28	1.34

* Interest Cover ratio for the Bank Covenants is calculated using debt interest only and excludes IFRS 16 Lease interest costs.

** Calculation method updated in 2023 to exclude lease depreciation, 2022 updated.

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.
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)	Measures company profitability and the efficiency with which its capital is employed.	Ratio of EBIT to average debt plus average equity over the period.
2. Profitability/Efficiency		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	Revenue/Average assets.
Operating Margin (EBITDAF)	The profitability of the Company per dollar of revenue.	EBITDAF/Revenue.
Operating Margin (Normal Trading)	The profitability of the Company per dollar of revenue from normal trading.	Normal Trading EBIT/Revenue.
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue, with profitability measured as earnings before interest, taxation.	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.	EBITDA/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. Bank Covenants		
Interest Cover ratio	The number of times that earnings can cover interest.	EBITDA/Interest Paid (less leases)
Total Leverage ratio	Defined as the total indebtedness.	Debt/EBITDAF.
5. Growth/Investment		
Revenue Growth	Measure of whether the Company is growing revenue.	% change in Total Revenue and Other Income.
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 (exclude Lease depreciation).

Key Performance Indicators
Non-financial

	Statement of Corporate Intent	Actual 2023	Actual 2022	Targets met
1. Our Scientific Expertise				
Number of employees who are WMO-qualified meteorologists, or scientists with a postgraduate qualification in meteorology, oceanography, or a related discipline	>120	131	136	
% uptime of weather observing systems (combined Radar and Automated Weather Stations)*	>99%	99%	99%	
POD Heavy Rain (12 mo mean)	>90%	91%	95%	
POD Severe Gales (24 mo mean)	>90%	94%	94%	
POD Heavy Snow (24 mo mean)*	>90%	89%	84%	
FAR Heavy Rain (12 mo mean)*	<15%	12%	19%	
FAR Severe Gales (24 mo mean)	<25%	10%	14%	
FAR Heavy Snow (24 mo mean)	<25%	23%	11%	
2. Our Digital Infrastructure				
Average number of monthly unique browsers across metservice.com and MetService mobile app (improved measure compared to 2022)	1.2 million	1.1 million	1.2 million	
Increased Followers on our main social media channels***	7%	22%	–	
Total digital maturity self-assessment on a benchmarked maturity scale of 1 to 5***	2.8	2.8	–	
3. Our Relationships				
Number of effective and managed relationships with iwi, Māori businesses or community groups	6	9	4	
Increase in brand recognition through percentage of respondents in annual survey having a 'good' understanding of what MetService does***	55%	48%	–	
Number of employees who have contributed to WMO or ICAO constituent bodies (e.g., technical commissions, working groups and expert panels)****	15	20	16	
4. Our People				
Contribute to workplace Diversity and Inclusion through unconscious bias e-learning modules: % of employees who have completed training	80%	60%	75%	
Make progress towards our ideal company culture through annual culture surveys and action planning: percentage of employees who have participated in relevant discussions (improved measure compared to 2022)	60%	60%	67%	
5. Our Environment				
Internal environmental impact: overall reduction in MetService carbon footprint of 21% by 2025***	21%	33%	–	

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 severe 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.
Radar % Uptime	The percentage of time that radar data is available in MetService's Wellington office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available in MetService's Wellington office, averaged over all AWS sites.
WMO	World Meteorological Organisation.

*The warning and network uptime targets reflect minimum acceptable performance for services delivered under MetService's contract with the Ministry of Transport.

**POD heavy snow warning statistics are sensitive due to a very small sample size - only 19 warnings have been issued across eight events in the last two years. The FAR for rain is a result of marginal events not reaching the required duration thresholds. These targets are expected to improve during the year.

***Additional KPIs added in 2023 and historical data not available.

****Reanalysed target means a target has been adjusted to be more appropriate or meaningful.

Company directory

DIRECTORS
Dr Alison Watters (Acting Chair 1 April to 30 June 2023) (Deputy Chair 1 November 2022 to 31 March 2023) (Chair, People Culture and Remuneration Committee)
Sophie Haslem (Chair) (resigned 31 March 2023)
Dr Te Tiwha Brendon Puketapu (started 5 April 2023)
Dave Moskovitz
Martin Matthews (Chair, Audit and Risk Assurance Committee) (started 8 July 2022)
Paula Jackson (started 8 July 2022)
Stephen Willis
Victoria Spackman

EXECUTIVE
Chief Executive
Stephen Hunt
Chief of Science & Innovation
Norm Henry
Chief Financial Officer
Keith Hilligan
Chief of Customer & Commercial
Rob Harrison
Chief Digital Officer
Sean Davidson
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