MetService
TE RATONGA TIRORANGI

Half Year Report 2021

Highlights

Otago weather radar in operation

Otago Radar live on MetService public platforms in mid-December

After extensive data testing, Otago radar information was made available on metservice.com and MetService apps in December. The $3 million Otago radar is the tenth in the national network of weather radar owned and operated by MetService.

The radar, situated 25 kilometres northwest of Dunedin, provides excellent coverage of Dunedin City, the Taieri and Clutha River catchments. The radar uses the latest dual polarisation technology which identifies different types of precipitation. MetService is designated as New Zealand's only severe weather forecasting and warning authority through its contract with the Ministry of Transport, and the national weather radar network plays an essential role in the delivery of public-safety services.

Acting MetService Chief Executive Keith Hilligan says, "We know this radar will make a difference to Otago communities, and we're delighted to have it in operation before Christmas. The radar strengthens our national radar network and provides additional resilience to Otago communities especially in severe weather events."

Aside from its forecasting value to MetService meteorologists, real-time radar data is of great importance to hydrologists, emergency management staff and the coastal Otago community, to plan, prepare and make decisions based on the likely impact of weather.

All New Zealand radar imagery is available on metservice.com, MetService apps, and through MetService commercial products.

Another media giant chooses Weatherscape

Sky News Europe sign three-year contract

Sky News Europe are now using Weatherscape, the broadcast media graphics platform wholly owned by MetService. Weatherscape is also used by TVNZ, Newshub, and all major Australian broadcasters to present the weather.

Work in securing Sky News Europe began in early 2020, with the broadcaster implementing Weatherscape into their broadcasting operation from November.

Sky News have over 12 million viewers across Europe and are one of the most recognised news brands across the continent. The three-year contract follows on from work in 2019 which saw the global media outlet Al Jazeera choose Weatherscape to broadcast weather across their multiple news channels.

Weatherscape welcomed new clients in Asia with Nepalese television channel Kantipur Television Network using Weatherscape. Due to Nepalese topography, Weatherscape incorporates added more data on upper level winds at and above 10,000 feet in the broadcast. In addition, Sirius, a new Malaysian pay TV service is expected to launch in early 2021. Sirius will use Weatherscape to support a 24-hour Malaysian news and weather channel.

"We've seen steady growth of Weatherscape in a very challenging year, with recent interest from other European broadcasters and research agencies to use our products to showcase the weather, which is encouraging". Adds Neville Booth, MetService Weatherscape Product Owner.

Long-term contract commitments

MetService partners with RNZAF, Watercare and GNS

The Royal New Zealand Airforce (RNZAF) accepted a proposal for the provision of data from a new Automatic Weather Station to be installed at Raumai, within the operational zone of the Ohakea Airbase. Access to one-minute observations will be used to provide more accurate forecasts for RNZAF operations, The Airways Corporation and other users permitted to transit the area. A contract to provide data from a system which includes four runway wind sensors at Ohakea was extended for five years, with physical work required at Ohakea completed by MetService during this period.

Watercare, New Zealand's largest company in the water and wastewater sector extended their service contract with MetService for another three years. Watercare oversee the daily supply of almost 400 million litres of water to 1.7 million people. MetService forecasts provide insights for Watercare operations with meteorologists involved in regular high-level briefings.

MetService and GNS Science signed a contract which sees both organisations collectively research a new approach for generating ashfall forecasts. The research will incorporate numerical weather prediction models and volcanic eruption parameters into a state-of-the-art hybrid ash dispersion model. The outcome aims to account for any uncertainties in the current and future atmospheric state in relation to eruption parameters, demonstrating a prototype to produce real-time probabilistic ashfall forecasts.

Growing awareness of the weather in social media

152,966

3.3% growth in Facebook followers in the six months to December 31 2020

18,840

6.9% increase in Instagram followers in the six months to December 31 2020

74,199

2.8% increase in Twitter followers in the six months to December 31 2020

3,315

MetService appeared in 3,315 media articles in the six months from 1 July – 31 December 2020. MetService spokespeople were quoted in almost a quarter of them!

14.1%

Total 1,297,036 MetService NZ Weather App installs at 31 December. A 14.1% increase since 30 June 2020

Public benefit partnerships for summer

With Westpac, Fire and Emergency and Water Safety New Zealand

MetService worked with multiple organisations in the lead up to summer to showcase initiatives that benefit New Zealanders. This included work in partnership with Westpac which added CPR instructions to the MetService App to keep Kiwis safe, the instructions are available on the app even when users are offline.

Work is underway with Fire and Emergency (FENZ), promoting current fire ratings around parts of Aotearoa on the MetService website and app, encouraging people to check their local fire danger rating.

In addition, MetService partnered with Water Safety New Zealand to provide beach forecasts for 20 popular summer spots, with information on water conditions, including water temperature, wave height and contamination risk through rainfall; and beach conditions include temperature and wind speeds. Users are encouraged to check respective council monitoring sites for any contamination warnings.

MetService plan to add more beach forecasts under the new swim section of the site.

MetService inflow modelling supports the National Grid

Insights help measure rainfall and water volumes hydro catchment areas

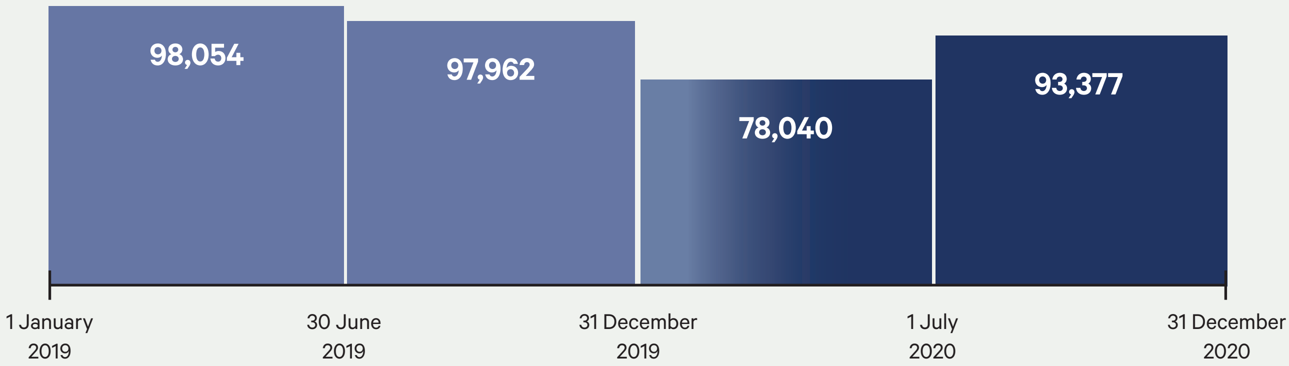
Transpower own and operate the National Grid – the high voltage transmission network made up of over 12,000 km of transmission lines and more than 170 substations across New Zealand.

In the interest of public safety and security of supply, Transpower need certainty of water level information in catchment areas that feed into New Zealand's major hydroelectric (hydro) stations. Hydro provided close to 60% of New Zealand's electricity needs in 2019.

Using MetService forecasting expertise generated through current work with energy providers across Australasia, and the application of detailed statistical modelling and insights, MetService designed a model to enable Transpower to review both the current and forecast rainfall within catchment areas of a hydro dam, and the effect of the rainfall on the dam supply.

Commencing in November 2020, this data is automatically supplied daily into Transpower systems to aid their decision making for six hydro catchment areas across New Zealand.

MetService operate one of New Zealand's most visited websites, metservice.com



Total website user sessions over a six-month period (000s)

MetService appoint new Chief Executive

In December 2020 the MetService Board announced the appointment of Stephen Hunt as the new Chief Executive of MetService. Mr Hunt starts with the organisation on January 18, 2021.

Mr Hunt's background in the aviation and risk management sectors, including leadership roles with Air New Zealand and The Civil Aviation Authority, his passion for meteorology, customer-centric approach to organisational leadership, and experience in complex, safety critical organisations were standout factors in his appointment.

Mr Hunt's selection follows the departure of former Chief Executive Peter Lennox in July 2020. Mr Lennox joined ESR as Chief Executive after nine years at the helm of MetService.

Six new meteorology grads join MetService

In conjunction with The Victoria University of Wellington, MetService operate the two-year Master of Meteorology programme, the only course of its type in New Zealand. The course includes one year of onsite training at MetService.

December marked the second ever graduation of the programme, nine people went through the course which concluded in late 2019, two graduates were from countries in the Pacific that have since returned home, while six of the graduates are now working in MetService forecast rooms in Auckland or Wellington.

The next Trainee Meteorology Programme starts in July 2021, with applications open until mid-February.

Office modernisation gets the green light

In November, the MetService Board approved to proceed with the seismic strengthening and modernisation of the MetService head office in Wellington, confirming the building will be strengthened to 100% New Building Standard (NBS) for an Importance Level 3 (IL3) building. An IL3 building is designed for a greater level of earthquake severity than ordinary office buildings.

The approval marks significant progress to the organisations long-term resilience. The subsequent seismic upgrade and office modernisation require relocation of MetService Wellington staff for between 12 and 18 months from December 2021. Subsequent staff consultation and the search for temporary office space continues into 2021.

Business Performance & Outlook

The Directors announce an operating loss after significant items of $803,000 for the six-month period ended 31 December 2020.

The significant items relate to one-off costs associated with the seismic assessment of, and subsequent data centre move from the Kelburn facility totalling $1.774 million. Operating profit for the six months from normal trading excluding significant items was $1.262 million, exceeding Statement of Corporate Intent expectations.

Revenue reduced by $2.167 million (7%) over the same period in the last financial year, driven by impacts associated with the COVID-19 pandemic and subsequent lockdowns. Significant reduction in flight activity impacted revenue received from the Aviation sector and reduced advertising revenue, with lockdown periods reducing revenue generation from digital channels.

Costs before significant items reduced by $1.143 million over the same period last financial year due to cost saving initiatives implemented due to the pandemic. These included a freeze on staff recruitment, salary sacrifice for the Chief Executive and Chair, no staff remuneration increases and other cost-cutting initiatives.

The gearing ratio at 31 December 2020 was 14.8%, down from 19.8% at 31 December 2019, achieved through careful management of cash flow to retain balance sheet strength.

MetService is committed to seismically strengthening the Kelburn headquarters over the next three years which will require significant investment.

Accuracy of Severe Weather Warnings, measured by Probability of Detection and False Alarm ratios, continue to outperform the targets set out in the MetService Statement of Corporate Intent (SCI). However, the organisation continually seek improvement given the increase in severity of weather events.

Concluding statement

As an essential service, MetService continues to deliver on its mandate of keeping people safe, while creating wealth from the weather intelligence it provides to stakeholders.

On behalf of the Board.

Sophie Haslem
Chair

92%

Probability of Detection (POD) of severe gales. Target >85%

94%

Probability of Detection (POD) of heavy snow. Target >85%

91%

Probability of Detection (POD) of heavy rain. Target >90%

Number Crunch

Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 31 December 2020

	Note	6 Mths 31 Dec 20 (unaudited) $000s	6 Mths 31 Dec 19 (unaudited) $000s	12 Mths 30 Jun 20 (audited) $000s
Contracts with Customers - revenue recognised over time		27,980	29,290	58,313
Contracts with Customers - revenue recognised at a point in time		879	1,726	1,835
Other		60	70	164
Total Operating Revenue		**28,919**	**31,086**	**60,312**
Operating Expenses				
Collaboration / Subcontractor Costs		1,366	1,071	2,799
Employee Benefits Expense		14,987	14,557	29,474
Communication Costs		299	338	694
Network Observing Costs	3	1,039	1,209	2,673
IT Costs	3	3,277	2,275	4,399
Data Transformation	3	1,644	1,776	3,331
Marketing Costs		158	305	537
Occupancy Costs		571	471	850
Office Expenses		164	178	372
Professional Expenses		620	478	1,059
Other Costs	3	833	1,480	2,455
Depreciation and Amortisation Expense		4,473	4,662	9,242
Total Operating Expenses	3	**29,431**	**28,800**	**57,885**
Operating Profit		**(512)**	**2,286**	**2,427**
Financial Costs	4	291	292	579
Profit Before Taxation		**(803)**	**1,994**	**1,848**
Taxation Expense	5	–	567	488
Net Profit Attributable to Equity Holders		**(803)**	**1,427**	**1,360**
Other Comprehensive Income				
Items that may be reclassified to profit or loss				
Movement in Foreign Currency Translation Reserve		3	37	23
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(800)**	**1,464**	**1,383**

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

Statements of Financial Position
as at 31 December 2020

	6 Mths 31 Dec 20 (unaudited) $000s	6 Mths 31 Dec 19 (unaudited) $000s	12 Mths 30 Jun 20 (audited) $000s
Equity			
Issued Capital	5,000	5,000	5,000
Foreign Currency Translation Reserve	(551)	(540)	(554)
Retained Earnings	18,199	18,901	19,002
Total Equity	**22,648**	**23,361**	**23,448**
Liabilities			
Trade and Other Payables	6,269	20,742	5,798
Other Financial Liabilities	31	7	8
Income Taxation Payable	114	212	–
Employee Benefits	2,255	1,724	2,218
Lease Liabilities	444	459	448
Total Current Liabilities	**9,113**	**23,144**	**8,472**
Deferred Taxation	(152)	359	181
Provisions	590	547	560
Employee Benefits	71	75	71
Borrowings	13,000	13,000	13,000
Lease Liabilities	2,325	2,282	2,597
Total Non Current Liabilities	**15,834**	**16,263**	**16,409**
Total Liabilities and Equity	**47,595**	**62,768**	**48,329**
Assets			
Cash and Cash Equivalents	9,055	7,250	9,171
Trade and Other Receivables	5,809	21,560	5,047
Income Taxation Receivables	–	–	183
Inventories	417	625	508
Total Current Assets	**15,281**	**29,435**	**14,909**
Trade and Other Receivables	–	–	268
Property Plant and Equipment	14,288	16,712	14,317
Intangible Assets	15,498	16,621	15,989
Right-of-Use Asset	2,528	–	2,846
Total Non Current Assets	**32,314**	**33,333**	**33,420**
Total Assets	**47,595**	**62,768**	**48,329**

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

Statements of Changes in Equity
for the six months ended 31 December 2020

31 December 2020 (unaudited)	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2020	**5,000**	**19,002**	**(554)**	**23,448**
Comprehensive Income				
Net Profit	–	(803)	–	(803)
Currency Translation Differences	–	–	3	3
Total Comprehensive Income	**–**	**(803)**	**3**	**(800)**
Equity as at 31 December 2020	**5,000**	**18,199**	**(551)**	**22,648**

31 December 2019 (unaudited)	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2019	**5,000**	**17,915**	**(577)**	**22,338**
NZ IFRS 16 Leases Transition	–	(441)	–	(441)
Restated Total Equity as at 1 July 2019	**5,000**	**17,474**	**(577)**	**21,897**
Comprehensive Income				
Net Profit	–	1,427	–	1,427
Currency Translation Differences	–	–	37	37
Total Comprehensive Income	**–**	**1,427**	**37**	**1,464**
Equity as at 31 December 2019	**5,000**	**18,901**	**(540)**	**23,361**

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

30 June 2020 (audited)	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2019	**5,000**	**17,915**	**(577)**	**22,338**
NZ IFRS 16 Leases Transition	–	(273)	–	(273)
Restated Total Equity as at 1 July 2019	**5,000**	**17,642**	**(577)**	**22,065**
Comprehensive Income				
Net Profit	–	1,360	–	1,360
Currency Translation Differences	–	–	23	23
Total Comprehensive Income	**–**	**1,360**	**23**	**1,383**
Equity as at 30 June 2020	**5,000**	**19,002**	**(554)**	**23,448**

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

Statements of Cash Flows
for the six months ended 31 December 2020

	Note	6 Mths 31 Dec 20 (unaudited) $000s	6 Mths 31 Dec 19 (unaudited) $000s	12 Mths 30 Jun 20 (audited) $000s
Cash Flow from Operating Activities				
Cash was Provided from:				
Receipts from Customers		29,151	29,791	62,272
Interest Received		3	27	59
Cash was Applied to:				
Payments to Suppliers and Employees		(25,000)	(22,058)	(48,811)
Interest Paid		(294)	(319)	(638)
Income Taxation Paid		(54)	(1,419)	(1,600)
Net Cash Generated by Operating Activities	7	**3,806**	**6,022**	**11,282**
Cash Flow from Investing Activities				
Cash was Provided from:				
Proceeds from Disposal of Property, Plant and Equipment		3	3	3
Cash was Applied to:				
Purchase of Property, Plant and Equipment		(1,594)	(2,438)	(3,555)
Labour Capitalisation (Assets)		(2,081)	(2,156)	(4,210)
Net Cash Used by Investing Activities		**(3,672)**	**(4,591)**	**(7,762)**
Cash Flow from Financing Activities				
Cash was Applied to:				
Repayment of Borrowings		–	(1,000)	(1,000)
Lease Liability - Principal Payments		(250)	(262)	(430)
Net Cash Generated by Financing Activities		**(250)**	**(1,262)**	**(1,430)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(116)**	**169**	**2,090**
Add Cash and Cash Equivalents at the beginning of the period		9,171	7,081	7,081
Cash and Cash Equivalents at the end of the Period		**9,055**	**7,250**	**9,171**

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

Notes to the Financial Statements
for the six months ended 31 December 2020

1. GENERAL INFORMATION

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Limited and its subsidiaries ('Group'). These financial statements were authorised for issue by the Board of Directors on 16 February 2021.

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 30 Salamanca Road, Wellington. Its primary service is to provide weather and presentation services to customers around the globe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The 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 (including derivative instruments), certain classes of property, plant and equipment, and defined benefit pension plans measured at fair value.

Standards adopted for the first time

1 July 2019 - NZ IFRS 16 'Leases'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the existing NZ IAS 17 Leases. This standard has introduced a single lessee accounting model and requires recognition of assets and liabilities for all leases with a term of more than 12 months. The Group has chosen the modified retrospective approach and has elected to exclude short-term leases and leases for which the underlying asset is of low value.
These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.15%.

In applying NZ IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact on the Statement of Financial Position as at 1 July 2019 was an increase to assets of $2.9 million, an increase to liabilities of $3.3 million, with the difference decreasing retained earnings brought forward.

Lease-related expenses in the Statement of Profit or Loss and Other Comprehensive Income will be front loaded to the earlier years of the lease terms where the interest-bearing liabilities are higher. The new accounting policies are set out on page 14.

	$000
Operating lease commitments disclosed as at 30 June 2019	(3,092)
Less leases considered to be short term & low value assets	317
Adjustment for extension terms becoming reasonably certain	(840)
Adjusted using the Group's incremental borrowing rate (4.15%)	321
Opening Lease Liability at 1 July 2019	**(3,294)**

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 31 December 2020. 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.

Notes to the Financial Statements
for the six months ended 31 December 2020 (cont.)

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 the following portfolios:

- Forecasting data and licence
- Interactive
- One-off hardware sales
- Grants and consultancy projects

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. The following accounting policies have been adopted:

Forecasting data and licence
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.
Timing of recognition – Over time

Interactive
Revenue is recognised over the period of time in which the advertising space is made available on our website.
Timing of recognition – Over time

One-off hardware sales
Revenue for hardware sold is recognised when the customer obtains control of the hardware.
Timing of recognition – Point in time

Grants and consultancy projects
Revenue is recognised over the period of the project, measuring progress towards completion based on costs incurred to date.
Timing of recognition – Over time

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

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

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

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

Government grants
Contestable government grants are treated as revenue from customer contracts and recognised using the five-step revenue model.

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

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% – 10.0%
Computer Hardware & Software Equipment	20.0% – 33.3%
Furniture & Fittings	8.0% – 33.3%
Buildings on Leasehold Land	3.1% – 33.3%
Meteorological Equipment	2.5% – 33.3%
Motor Vehicles	10.0% – 22.0%
Office Equipment	10.0% – 33.3%
Plant & Equipment	4.0% – 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.

During the 2020 financial year, the Group assessed the useful lives of property, plant and equipment in line with the accounting policy and NZ IAS 16: Property, Plant and Equipment. The accounting estimate of the useful life of assets based at the Head Office in Kelburn have been reassessed in relation to future plans for seismic strengthening and subsequent refit.

	$000
Depreciation on Kelburn Assets prior to review	229
Accelerated depreciation recognised in the current period	60
Depreciation on Kelburn Assets after review	**289**

The expected impact in future periods is summarised below:	$000
Accelerated depreciation to be recognised within 1 year	192
Accelerated depreciation to be recognised between 1 and 5 years	292
Accelerated depreciation to be recognised after 5 years	67

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

Notes to the Financial Statements
for the six months ended 31 December 2020 (cont.)

- 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.

Leases NZ IFRS 16

The Group adopted NZ IFRS 16 on 1 July 2019. 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 Profit or Loss Statement 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.

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 company 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.

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 Senior 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.

Notes to the Financial Statements
for the six months ended 31 December 2020 (cont.)

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 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, 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 and 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, termination leave 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.

COVID-19 Pandemic
In March 2020, the World Health Organisation declared a global pandemic after the outbreak and spread of COVID-19. Following this on 25 March 2020, the New Zealand Government raised its Alert Level to 4, resulting in a nationwide lockdown. As part of the lockdown all staff, except those deemed to be essential, were required to work remotely.

Due to the measures, the Group experienced a loss in demand from both aviation and advertising customers.

As a result the Group has put in place restrictions on discretionary spending in areas such as entertainment, travel, conference attendance and training. The Group has also reassessed the expected loss calculation to provide for the uncertainties around trade receivables.

The impact and uncertainties emanating from this pandemic have required additional judgement in:

Note 10: Trade and Other Receivables

Note 18: Intangible Assets

The scale and duration of impacts of COVID-19 are continuing to evolve and as such the full impacts are uncertain.

Notes to the Financial Statements
for the six months ended 31 December 2020 (cont.)

3. OPERATING EXPENDITURE

3(i) Significant Items

During the 2020 financial year, Management 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.

However, the Board have agreed to proceed with the seismic strengthening which is expected to commence in early 2022. One off costs have been incurred in the first half of this year to move the company's data centre off premise in preparation for the seismic work, and this should be completed by 30 June 2021.

Operating Profit for the half-year includes the one off spend of $1.8m relating to the move of the data centre offsite (IT Costs) and the work completed to date on the Kelburn Seismic assessment and office design (Building Maintenance).

	6 Mths 31 Dec 20 (unaudited) $000s
Operating profit	(512)
Seismic assessment & Data Centre move	1,774
Operating profit excluding one off significant items	**1,262**

3(ii) Account Code Reclassification

From 1 July 2020, the Group has renamed the cost category 'data acquisition costs' to 'networking observing costs' to better reflect the nature of the cost reported here. Actual 'data acquisation costs' have been reclassified to 'IT costs' (December 2019: $290,000, June 2020: $559,000) and costs associated with NZ IFRS 16 presentation have been reclassified to 'other costs'. (December 2019: $192,000, June 2020: $557,000). Comparatives have been restated.

4. FINANCE COSTS – NET	6 Mths 31 Dec 20 (unaudited) $000s	6 Mths 31 Dec 19 (unaudited) $000s	12 Mths 30 Jun 20 (audited) $000s
Interest Revenue			
Bank Deposits	3	27	66
Other	–	–	–
Total Finance Income	**3**	**27**	**66**
Interest on Bank Overdrafts and Loans	236	261	512
Interest Expense - Lease Liability	58	58	126
Use of Money Interest	–	–	7
Total Finance Costs	**294**	**319**	**645**
Finance Costs – Net	**291**	**292**	**579**

	6 Mths 31 Dec 20 (unaudited)	6 Mths 31 Dec 19 (unaudited)	12 Mths 30 Jun 20 (audited)
5. TAXATION	$000s	$000s	$000s
Net Profit Before Taxation	(803)	1,995	1,848
Prima Facie Taxation Thereon at 28 percent	–	559	517
Non-Deductible Expenditure	3	9	11
Non-Deductible Legal Fees	4	9	3
Prior Period Adjustment	–	–	(16)
Effect of Different Tax Rates in Other Jurisdictions	–	(10)	(5)
Reinstatement of tax depreciation on buildings	–	–	(73)
Write off tax balances - MetraWeather Thailand Ltd	–	–	5
Other	(7)	–	46
Taxation Expense	**–**	**567**	**488**
Current Taxation	117	368	1,009
Prior Year Adjustment - Current Taxation	–	–	(96)
Deferred Taxation	(117)	199	(504)
Prior Year Adjustment - Deferred Taxation	–	–	79
Taxation Expense	**–**	**567**	**488**

6. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 31 December 2020 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

MetOcean Solutions Limited was amalgamated with Meteorological Service of New Zealand (Parent) on 1 July 2018.

On 24 September 2018, the Meteorological Service of New Zealand Limited opened a Representative Office in Bangkok, Thailand. Closure proceedings have begun for MetraWeather (Thailand) Limited. The Asian business operations remain the same.

7. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	6 Mths 31 Dec 20 (unaudited) $000s	6 Mths 31 Dec 19 (unaudited) $000s	12 Mths 30 Jun 20 (audited) $000s
Net Surplus for the Period	**(803)**	**1,427**	**1,360**
Non Cash/Non-Operating Items			
Depreciation and Amortisation	4,473	4,662	9,242
Loss on Foreign Exchange Contracts	–	7	8
(Decrease) in Deferred Tax	(333)	(341)	(519)
Impairment losses on PPE and Intangibles	–	–	80
(Gain) on Sale of Fixed Assets	(20)	(41)	20
Increase/(Decrease) Restoration Provision	30	(26)	221
Less Restoration Provision unwound	–	–	(217)
Other Non Cash Operating Items	278	(229)	(121)
Increase in Non-Cash Items	**4,428**	**4,032**	**8,714**
Movements in Working Capital			
(Increase)/Decrease in Receivables	(528)	(14,799)	1,445
Increase in Accounts Payable and Accruals	501	15,213	757
Decrease in Income Taxation Receivable	299	432	(828)
(Increase) in Inventories	(91)	(283)	(166)
Total Movement in Working Capital	**181**	**563**	**1,208**
Net Cash Generated by Operating Activities	**3,806**	**6,022**	**11,282**

8. CONTINGENT LIABILITIES

Commerce Commission Investigation

MetService are co-operating fully with the Commerce Commission with respect to its investigation into the pricing and terms on which competitors can access weather data from MetService. The outcome and any financial implications associated with the outcome are unknown.

9. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

Key management personnel are paid in their capacity as employees and receive salary and bonus.
Key management personnel includes Directors and the Executive Team.

	6 Mths 31 Dec 20 (unaudited) $000s	6 Mths 31 Dec 19 (unaudited) $000s	12 Mths 30 Jun 20 (audited) $000s
Total Executive Team (excluding CEO)	939	976	1,951
Performance Pay Paid Relating to Prior Year	–	351	351
Kiwisaver / Superannuation Contributions	26	35	61
Directors' Remuneration	82	108	218
	1,047	**1,470**	**2,581**

Compensation of the Chief Executive Officer*

Total Chief Executive Officer (CEO)	188	217	429
Performance Pay Paid Relating to Prior Year	–	128	128
Kiwisaver / Superannuation Contributions	6	10	17
	194	**355**	**574**

*In May 2020 the Chair and CEO volunteered to receive a 10% reduction in remuneration for 12 months.

On the 24 July 2020, the CEO resigned. The Acting CEO covered the period 25 July 2020 to 17 January 2021 inclusive.

Key Performance Indicators
Financial

	Statement of Corporate Intent Target (Full Year)	Actual 6 Months to 31 December 2020
1. Shareholder Returns		
Total Shareholder Return	0.0%	0.0%
Dividend Yield	0.0%	0.0%
Dividend Payout	0.0%	0.0%
Return on Equity (ROE)	-14.7%	-7.0%
Return on Funds Employed	0.3%	-2.8%
2. Profitability/Efficiency		
NPAT ($000s)	-3,225	-803
Normal Trading EBIT ($000s)	100	1,262
EBIT ($000s)	-2,911	-512
EBITDA ($000s)	8,520	3,961
Asset Turnover	1.24	1.05
Operating Margin (EBITDA)	15.0%	13.5%
Operating Margin (Normal Trading)	0.2%	4.7%
Operating Margin (EBIT)	-5.1%	-1.8%
3. Leverage/Solvency		
Gearing Ratio (net)	34.7%	14.8%
Interest Cover	13.5	16.5
Solvency	1.25	1.66
Debt Coverage Ratio	–	–
4. Bank Covenants		
Interest Cover ratio*(>3)	16.38	16.49
Total Leverage ratio (<3)	1.53	0.30
5. Growth/Investment		
Revenue Growth	-6.5%	-7.0%
EBITDAF Growth	-28.7%	-43.9%
NPAT Growth	-377.5%	-156.2%
Capital Renewal	1.15	0.83

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

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)		Ratio of EBIT to average debt plus equity over the period.
2. Profitability/Efficiency		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	Revenue/Assets.
Operating Margin (EBITDA)	The profitability of the Company per dollar of revenue.	EBITDA/Revenue.
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue.	EBIT/Revenue.
3. Leverage/Solvency		
Gearing Ratio (net)	Measure of financial leverage – the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity.	Net debt/Net debt plus equity.
Interest Cover	The number of times that earnings can cover interest.	EBITDAF/Interest paid.
Solvency	Ability of the Company to pay its debts as they fall due.	Current assets/Current liabilities.
Debt Coverage Ratio	Level of bank debt in relation to earnings.	Bank debt/EBIT.
4. Growth/Investment		
Revenue Growth	Measure of whether the Company is growing revenue.	% change in revenue.
EBITDA Growth	Measure of whether the Company is growing earnings.	% change in EBITDA.
NPAT Growth	Measure of whether the Company is growing profits.	% change in NPAT.
Capital Renewal	Measure of the level of capital investment being made by the Company.	Capital expenditure/Depreciation expense.

Key Performance Indicators
Non-Financial

	Statement of Corporate Intent Target (Full Year)	Dec 2020 Actual
1. Our Scientific Expertise		
% of employees who are WMO-qualified meteorologists, or scientists with a postgraduate qualification in meteorology, oceanography, or a related discipline	>40%	46.1%
POD Heavy Rain (12 months mean)	> 90%	91.3%
POD Severe Gales (24 months mean)	> 85%	92.0%
POD Heavy Snow (24 months mean)	> 85%	93.8%
FAR Heavy Rain (12 months mean)	< 25%	13.1%
FAR Severe Gales (24 months mean)	< 30%	21.4%
FAR Heavy Snow (24 months mean)	< 30%	16.7%
2. Our Networks and Platforms		
Radar % Uptime (12 months mean)*	>97%	99.2%
AWS % Uptime (12 months mean)*	>98%	99.5%
3. Our Relationships		
Number of employees who have taken part in formal WMO constituent or subsidiary bodies including technical commissions, working groups and expert panels	10	10
Monetary value ($000) of social investment (free digital advertising to charity, environmental organisations and COVID-19 recovery initiatives)	250	103.9
4. Our People		
Taha hinengaro (mental and emotional wellbeing): percentage of employees that have participated in culture sessions supporting our progress to our ideal culture	90%	96%
Taha wairua (spiritual wellbeing): percentage of employees that have completed the unconscious bias e-learning modules	75%	53%
5. Our Environment		
Number of new applications that improve the safety of coastal communities and infrastructure	2	2
Number of features on metservice.com website that encourage environmentally conscious decision-making	2	1

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

NOTES ON THE NON-FINANCIAL KEY PERFORMANCE INDICATORS

Measure

Probability of Detection (POD)
The ratio of correctly forecast severe weather events to actual events observed.

False Alarm Ratio (FAR)
The ratio of forecast severe weather events that did not 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 within MetService's Wellington office, averaged over all radar sites.

AWS % Uptime
The percentage of time that Automated Weather Station data is available within MetService's Wellington office, averaged over all AWS sites.

Company Directory

DIRECTORS

Chair
Sophie Haslem
Deputy Chair
Tupara Morrison
Audit and Risk Assurance Chair
Tupara Morrison
People, Culture and Remuneration Chair
Margaret Devlin (until 21 July 2020)
Roanne Parker (from 28 July 2020)
Director
Brent Armstrong
Stephen Eaton
Wendy Lawson (resigned 2 Dec 2020)
Dave Moskovitz

EXECUTIVE

Chief Executive
Peter Lennox (departed July 2020)

Chief Executive (Acting)
Keith Hilligan (started July 2020)

GM Science Strategy
Norm Henry

Chief Financial Officer
Keith Hilligan

GM Meteorological Operations
Ramon Oosterkamp

GM Sales
Rob Harrison

GM Strategy & Governance
Tina Dustdar

GM People Experience
Natalie Lombe

Chief Information Officer
Mark Huttley (departed September 2020)

Chief Information Officer
Stacey Perrett (started October 2020)

GM MetOcean
Brett Beamsley

GM Products & Partnership
Matt Pearce

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