

MetService

Annual Report 2021



A proud track record of keeping Kiwis safe

August 2021 will mark 160 years of weather observations being recorded by MetService in Aotearoa. As New Zealand's oldest continuous science organisation, MetService is proud of the part we've played in that time to fulfil our purpose – to help people stay safe and make informed decisions, based on the weather.

Every day our team of scientists, including meteorologists, oceanographers, data analysts, researchers, and computer modellers, apply their expertise. Our wider team translates this essential information into meaningful environmental insights for the New Zealand public, government agencies, and commercial organisations reliant on it here and abroad.

As the severity of weather events becomes more intense, it is imperative as New Zealand's only official provider of severe weather information that we continue to plan for the next 160 years.

Through investment in our technology, capabilities, and people, MetService will continue to forewarn those at risk.

The cover imagery shows evidence of our investment with the construction of the Otago Radar. The radar is the 10th in our national network of weather radar and was completed in December 2020.





Contents

Our reach across Aotearoa / New Zealand	3
Year in review	5
Chair's report	7
Chief Executive's report	9
Creating value	11
Stories from the year	
Our platforms and networks	13
Our scientific expertise	16
Our relationships	19
Our environment	21
Our people	24
Board of Directors	25
Governance overview	27
Number crunch	
Financial statements	31
Independent auditor's report	59
Statutory information	61
Key performance indicators	65
Company directory	69



Our reach across Aotearoa / New Zealand

MetService is New Zealand's oldest, continuous scientific institution, the work we do impacts New Zealanders every day, helping guide decisions.

Our people, their expertise and experience, our network of resources, and world-leading capability help ensure our experts can predict the ever-changing weather and ocean conditions with confidence, accuracy, and timeliness. The scope of our work reaches across Aotearoa and further afield.

We are proud to deliver on our purpose to help people stay safe and make informed decisions, based on the weather. Some of the sectors reliant on MetService include:



Research

Through partnerships with science led organisations including universities, iwi, and central government, MetService conducts scientific research projects to help advance New Zealand's economy through an informed understanding of our changing climate.



Marine

Our marine forecasts help make it safer at sea. Our global marine work includes partnerships with ports in Australasia and Southeast Asia, offshore oil exploration organisations, and large-scale vessels reliant on our services to operate both safely and efficiently.



Tourism

Our forecasts drive decision-making throughout New Zealand's tourism industry. This year we've teamed up to support the tourism sector, while improving our mountain forecasts to provide additional safety-critical information for those heading out to the great outdoors.



Aviation

Every New Zealand commercial flight is reliant on MetService forecasts to take off and land. Our aviation forecast team supports aircraft to safely navigate New Zealand's skies. Despite significant reductions in aviation volume this year, we've continued to advance weather technology in the essential services provided to the sector.



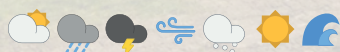
Broadcast

Weatherscape, our weather graphics platform, enables media to share weather stories with millions of viewers globally. Closer to home, we provide weather graphics to TVNZ and Newshub multiple times daily. MetService also produces more than 50 weather videos each week, used for digital news providers in New Zealand and in the Pacific.



Emergency management

MetService works closely with the National Emergency Management Agency, and emergency management providers throughout the country. These relationships are integral to ensuring these organisations have the most accurate information to prepare for and respond to severe weather events.





The environment

As New Zealand's only authorised provider of severe weather information, we play a key part in climate adaptation. MetService is working with partners across the globe on climate-led initiatives including volcanic ash detection and tropical cyclone preparedness.



Primary industries

Our expertise informs decisions made every day by thousands of farmers and growers. Our support is not limited to food production and farming. We work closely with the mining, fishing, and forestry sectors to support safety and productivity.



On the roads

Our weather technology and data help to keep New Zealand's roads open, ensuring that those on the go are aware of weather impacts. This year we've worked closely with Waka Kotahi to minimise risk by adding new forecasting technology to new roading developments of national significance and at high incident locations.



Energy

Our consultant meteorologists provide the energy sector with advice to manage the impacts of weather on energy supply and generation, and our forecasts help the energy sector to manage energy demand when and where it is needed. This year we've completed projects to help Transpower best forecast and manage energy demand based on the level of water in New Zealand's hydro lakes.



Across the Pacific

MetService is committed to extending help through lightning-detection infrastructure developments across the Pacific. We also work to support Pacific meteorological organisations in times of severe weather or uncertainty. Through our Master of Meteorology course we regularly train new meteorologists from smaller Pacific nations.



Around the world

Approximately 10% of our commercial revenue comes from our work outside New Zealand. We've seen tremendous growth in the media sector in Europe this year, in our work with primary sectors in Southeast Asia, and in Australian retail.



Year in review

Our People



299

Employees

247 people at MetService, 16 at MetraWeather (our international brand) and 36 at MetOcean Solutions (our oceanography division).



445

Community outreach hours

Our staff donate their expertise to worthy causes.

Online influence



77,191

Twitter followers

6.9% growth in Twitter followers from July 2020 to June 2021.



6,872

Media articles

MetService appeared in 6,872 media stories in the 2021 financial year across print, radio, broadcast, and online platforms.



19,814

Instagram followers

12.4% increase in Instagram followers from July 2020 to June 2021.



+67%

App impressions

The total number of app impressions are 131,118,968 in the last 12 months.



157,452

Facebook fans

6.3% growth in Facebook fans from July 2020 to June 2021.



\$286,890

Social investment

Our social investment number is the value of free advertising MetService provided to charity and non-profit organisations over the last year. MetService also provided free advertising support to New Zealand tourism businesses this year, which is included in the total above.



Forecast accuracy



93%

Severe gales

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



88%

Heavy snow

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



92%

Heavy rain

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

Finance information

-0.7%

Return on funds employed

4.3%

Normal trading operating margin

-1.4%

Growth in total revenue

-2.6%

Return on equity

2.54m

Normal trading operating profit

Our network

10

Weather Radar

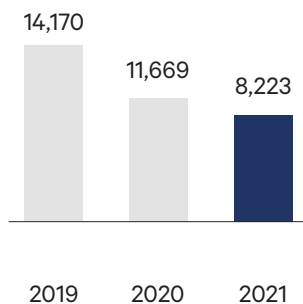
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Automatic Weather Stations

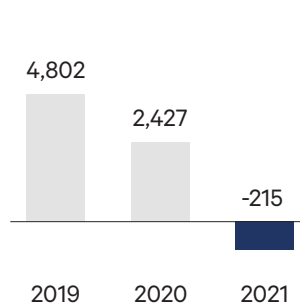
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Upper Air Observatories

EBITDA (\$000)



Operating profit (\$000)



Our purpose at MetService is to help people stay safe and make informed decisions, based on the weather.

It is my pleasure to present the 2021 Annual Report in a year that MetService exceeded forecast accuracy targets while delivering a financial performance ahead of expectations in challenging circumstances.

After a comprehensive search, the Board was pleased to announce the appointment of Stephen Hunt as the new Chief Executive for MetService. Since commencing in January, Stephen has impressed with his intelligent, calm, and authentic leadership approach.

Our purpose

Our purpose at MetService is to help people stay safe and make informed decisions, based on the weather. Due to climate change, the impacts of severe weather events are becoming more pronounced, as evidenced in the Canterbury flooding event this year, when MetService issued just its second red warning. It is paramount that

New Zealanders have a single voice providing severe weather information so that appropriate and informed decisions can be made. At MetService we officially carry that responsibility; it sits at the heart of everything we do.

We were proud to be recognised as one of New Zealand's top five most trusted public sector organisations this year. We intend to build on this solid foundation of trust that Kiwis have in MetService, through technological enhancements, work with research and science-led organisations, and enduring partnerships with other safety-critical sectors.

Our people

Our people are critical to us delivering our purpose. Our experienced team of meteorologists has a total of more than 800 years of forecasting experience and is committed to ensuring that New Zealand businesses and the public

alike understand what the weather will be and the expected impacts of it. Technology is fundamental to the delivery of our products and services, and we are fortunate to have world-leading data and technology specialists within our team driving a significant amount of change.

MetService is reliant on vast quantities of data, including global satellites, automatic weather stations, weather balloons, and rain radar, to forecast the weather. It is vital that our people ensure the observations we generate are timely, accurate, and continuously available, while translating and communicating this information and applying their experience with New Zealand's conditions to bring this myriad of information to life.





Sophie Haslem
Chair



Future focus

There is a collective commitment among our people to ensure New Zealand's leading weather forecasts are accessible to all and continue to evolve based on our customers' needs. We've developed some wonderful enhancements to our public-facing platforms this year, including new measures that support the sharing of severe weather information across devices, and the introduction of hazard identification across mountain forecast areas.

While our public-facing platforms evolve, we also continually advance our commercial offering to organisations reliant on MetService. This year we've undertaken significant resilience projects, which have included moving all our on-premises IT infrastructure into a hybrid cloud environment.

There are some substantial projects underway that, on completion,

will provide clear value for our commercial customers, especially those in the aviation, marine, and media sectors.

Financial performance

While still affected by the impacts of COVID-19, the financial performance of our underlying business still remained positive this year. Revenue of \$59.4 million was 1.4% down on the previous year. Net cash flow from operating activities remained strong at \$9.3 million for the financial year, slightly down on the prior year.

This allowed a further repayment of borrowings of \$2.5 million to strengthen our balance sheet prior to the expected ongoing costs of earthquake strengthening our buildings in Wellington and Paraparaumu in the next two financial years.

Thanks

As Chair, I wish to thank my fellow directors for their commitment to MetService throughout the year. Particular thanks go to outgoing members of our Board, Margaret Devlin, Dr Wendy Lawson, and Brent Armstrong.



Chief Executive's report

Weather has a huge impact on public safety and the economy, and MetService derives much of its revenue from the vital weather information we provide to help our customers make critical safety and productivity decisions.

I'm delighted to present my first annual report as the Chief Executive of MetService. Severe weather events such as the Canterbury flooding in late May illustrate just why our meteorologists and our teams are essential in keeping New Zealanders safe. Forewarned is forearmed – be that for a dry spell, a cold blast, or four seasons in one day.

Weather has a huge impact on many sectors of the economy, and MetService derives much of its revenue from the vital weather information we provide to help our customers make critical safety and productivity decisions.

Highlights

Despite the significant downturn in the aviation sector and the impacts that has had on our revenue, we continued to deliver all our services while making many enhancements to our products.

We have upheld New Zealand's responsibilities as a member of the World Meteorological Organization, despite doing so from an isolated position.

This year we established the Otago weather radar, which is proving to be highly effective and valuable. We also developed more refined techniques not only in forecasting severe weather events, but in channelling the messages early enough to potentially affected areas that those affected by high-impact weather events can take precautions and be ready to manage the impacts.

Through this investment, we've strengthened our position as New Zealand's provider of weather forecasting and severe weather warnings having significantly grown both our safety outreach to the public and our commercial consultancy services this year.

We have continued to build our capabilities to support national

resilience and emergency management. Through stronger relationships with primary emergency providers including the National Emergency Management Agency, Fire and Emergency New Zealand, and other critical responding agencies and providers.

The introduction of mountain weather hazards in our mountain and park forecasts ensures people heading into these high-risk environments are well informed. MetService collaborated with the New Zealand Mountain Safety Council and the New Zealand Avalanche Advisory to deliver this additional safety tool and it is an excellent example of the types of safety initiatives we are seeking to achieve through partnerships.

Through the Ministry of Business, Innovation and Employment-funded Moana Project, MetService is bringing together 54 experts from 14 national and international organisations to change the way we view our ocean.





Stephen Hunt
Chief Executive



The project is mapping our ocean dynamics to provide information about how marine heatwaves are impacting New Zealand waters and our ocean industries. The research is being achieved with help from our iwi project partners Whakatōhea. The Moana Project is leading ocean planning in ways that are centered around iwi values.

Future focus

As this goes to print, we are approaching 160 years since the first scientific recording of weather observations in New Zealand. As New Zealand's oldest scientific institutions we continue to deliver safety and productivity outcomes to New Zealand. Looking to the future, it is wonderful to see our new Master of Meteorology students interacting with our long-serving meteorologists.

We acknowledge that our approach to weather forecasting has been based on traditional western scientific perspectives. We are

increasingly seeking to understand mātauranga Māori approaches to the unique knowledge that tangata whenua have about the environment and weather surrounding Aotearoa. We aim to find more synergies between Western science and the traditional knowledge of our tipuna.

We will soon announce our Strategy for 2026 that will set a clear vision and pathway to our future. Our new strategy will allow MetService to modernise and continue to fulfill its purpose as the only New Zealand weather agency capable of the precision enabled by blending computer weather modelling with meteorological expertise. We remain committed to continually improving our weather forecasting to reflect the impacts of the rapidly changing climate.

Thank you

I'd like to thank all our customers and the people of New Zealand who use our products. I reiterate

our commitment to ensuring our forecasting services and products are the most relevant to your needs.

I'd also like to thank the Board for their support and welcome three new Board members, (Stephen Willis, Victoria Spackman and Alison Watters), who join us as we head into the new financial year.

And finally, a huge thank you to each of our wonderful employees in New Zealand and overseas who continue to deliver excellence in what they do.



Creating value

The MetService business plan is developed through an integrated thinking approach. Integrated thinking fosters a culture of collaboration and integration between different parts of MetService, while seeking input from customers and stakeholders to ensure the efficient use and management of resources to create value.

Integrated thinking balances the performance of MetService with different stores of value, referred to as capitals.

Our Capitals

One of the fundamental elements of integrated thinking and reporting is the determination and measurement of value creation, or capitals. The International Integrated Reporting Council describes a capital as “any store of value that an organisation can use in the production of goods or services”.

As MetService acquires new ways of creating value, the capitals will evolve over time. MetService has identified and adopted the capitals as our scientific expertise, our networks and platforms, our relationships, our finances, our people, and our environment. Highlights within this document are grouped according to these respective capitals.



Our platforms and networks

New Zealand-wide weather observing network and international digital platforms that help our customers make informed decisions, based on the weather



Our scientific expertise

A large and diverse group of highly trained meteorologists and oceanographers with data, systems and tools to produce accurate forecasts and excellent science



Our people

Talented, passionate and empowered employees working in a high trust, safe and collaborative work environment



Our relationships

Contributing to customers, partners, suppliers and the community in New Zealand and internationally



Our environment

Protecting our natural resources



Our finances

Making financial resources available for investment in value creation





Stories from the year



Our networks and platforms

Otago radar in operation

From mid-December 2020, data from the Otago radar began to flow through MetService public platforms.

MetService is designated as New Zealand's only severe-weather forecasting and warning authority through its contract with the Ministry of Transport. The national weather radar network plays an essential role in the delivery of these public-safety services.

The \$3 million radar is the 10th in the national network of weather radars owned and operated by MetService. Situated 25 kilometres northwest of Dunedin, the radar provides excellent coverage of

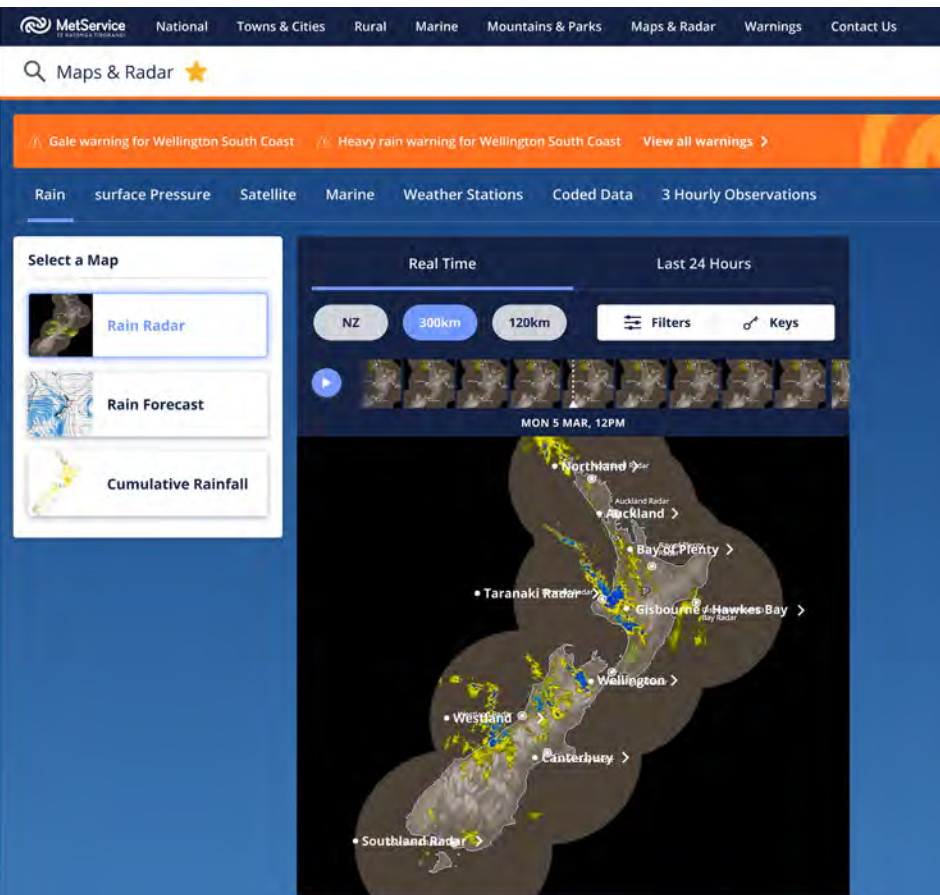
Dunedin city and the Taieri and Clutha River catchments.

The radar uses the latest dual-polarisation technology, which identifies several types of precipitation. Aside from its forecasting value to MetService meteorologists, real-time radar data is significant to hydrologists, emergency management staff, and the coastal Otago community in planning, preparing, and making decisions, based on the impacts of upcoming weather.

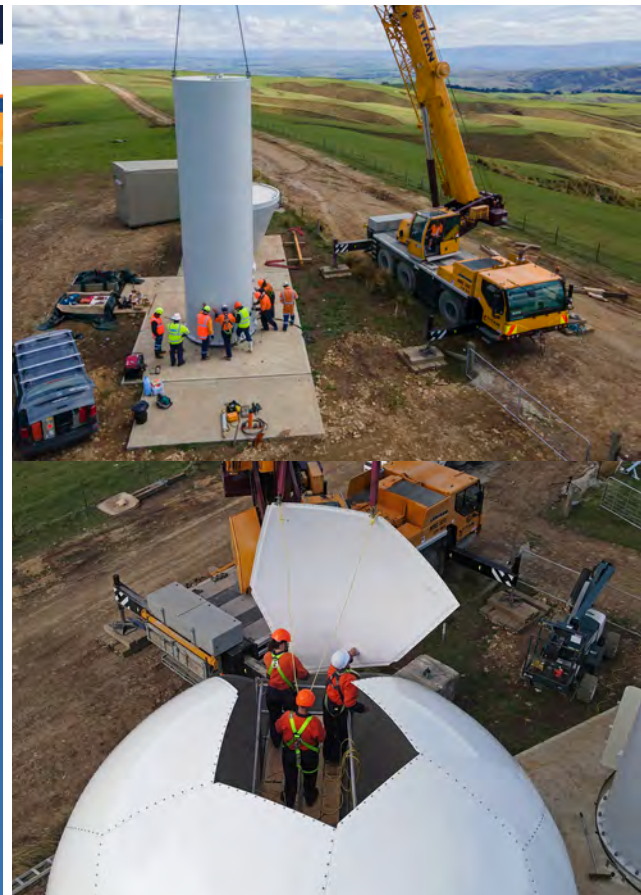
Building a new radar that provided accurate coverage of coastal Otago's complex terrain was a challenging project for MetService,

with many factors to consider. In total, more than 20 locations were reviewed before a commitment was made to the radar site in Hindon. MetService worked closely with the Otago Regional Council, the Dunedin City Council, Otago emergency management providers, radar contractors, and other key stakeholders throughout the project.

All New Zealand radar imagery updates every 7.5 minutes. It is available on metservice.com and MetService apps, and through MetService commercial products used by organisations across Aotearoa.

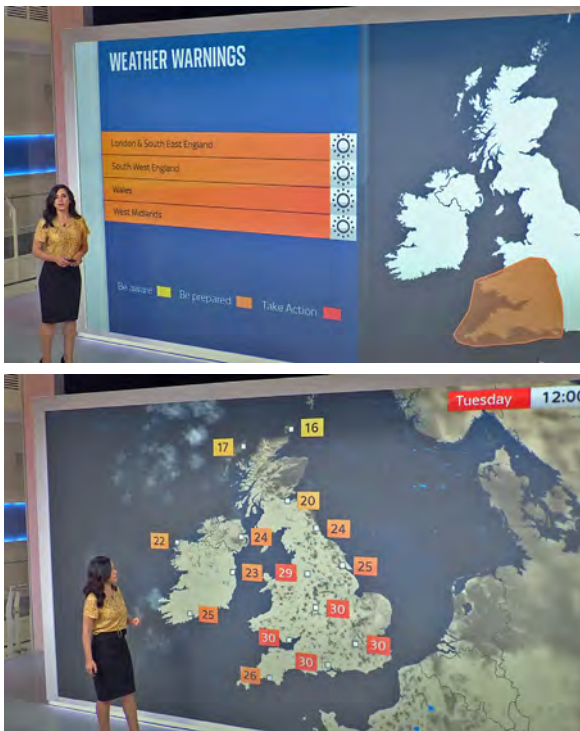


All ten weather radars are available on metservice.com



Construction of the Otago radar at Hindon





Sky News UK signs up with Weatherscape

In 2020, Sky News UK signed a three-year contract with the United Kingdom based MetService team to present the weather news across its platforms. Weatherscape, the broadcast media graphics platform owned by MetService, is a global player in the weather media graphics industry. Weatherscape provides weather graphics to more than 30 broadcasters, including TVNZ and Newshub in New Zealand, all major Australian broadcasters, and Al Jazeera.

Work to secure Sky News UK started in early 2020, with Sky using Weatherscape in live shows from November 2020. Sky News UK is one of the most recognised news brands in Europe, with more than 12 million viewers across the continent. This capped off a year of strong growth for Weatherscape, particularly in Europe.

Safety to the fore on MetService public platforms

Every week, MetService developers make refinements and enhancements to metservice.com and the MetService app based on planned work and customer feedback. The volume of changes is vast, with a weekly deployment often resulting in dozens of changes, of which the majority go unnoticed by users of these well frequented public platforms.

A strategic focus on improving the reach of safety-related messaging has seen continual improvements made. Highlights include:

- Users of the MetService NZ Weather app can now share severe weather information relevant to their areas to other devices, be that via text message or another sharing platform. This initiative supports users to circulate MetService Severe Weather Watches and Warnings

to infrequent users of the internet and those in remote locations across the country. This change means warnings on the app now align with how they appear on the website, making it easier for users to understand watches and warnings for their locations.

- In late 2020, MetService introduced Heavy Swell Warnings for Wellington's South Coast, through a collaborative partnership with the South Coast community that involved multiple agencies, including NIWA, Wellington City Council, and the Wellington Region Emergency Management Office. As a result of this work, Heavy Swell Warnings for Wellington appear on MetService public-facing platforms, and those affected can sign up for alerting notifications on heavy swell events.



MetService data resilience



As part of its wider resilience programme, this year MetService replaced critical hardware identified as near 'end of life', while moving services into a hybrid cloud environment.

Moving to the cloud

This year has seen MetService move all of our on-premises IT infrastructure into a hybrid cloud environment.

The work is necessary, and positions MetService to move out of the Kelburn head office and data centre site as part of a programme to modernise and strengthen the MetService headquarters in Wellington. In addition, the approach to migration has been selected to minimise infrastructure 'technical debt' where possible, by migrating from existing hardware to service-provider-managed platforms.

The process of moving the waves of servers and applications has followed proven IT migration methods, developed in consultation with teams across MetService to ensure that impacts on core business functions, and services to customers and partners, are assessed, communicated, and managed effectively.

Each significant milestone requires design, technical preparation, and thorough testing, with almost every business area of MetService involved in the project in some capacity. Completing the first phase of this migration was a key step that has positioned MetService to take advantage of the future capabilities of the hybrid cloud environment, while maintaining and enhancing application and infrastructure resilience and capabilities for MetService customers.

Data switches

A significant replacement project involved the switches that support the MetService distribution layer.

These switches provide connectivity to MetService infrastructure and were acting as a bottleneck for staff and customers reliant on fast access to MetService data sources.

Following consultation with commercial customers reliant on our services in New Zealand and further afield, work was scheduled overnight to coincide with benign weather conditions to minimise customer disruption. The successful outcome sees the new switches providing a significant improvement in the long-term data resilience of MetService systems and platforms.



Our scientific expertise

Inflow modelling powers energy distribution



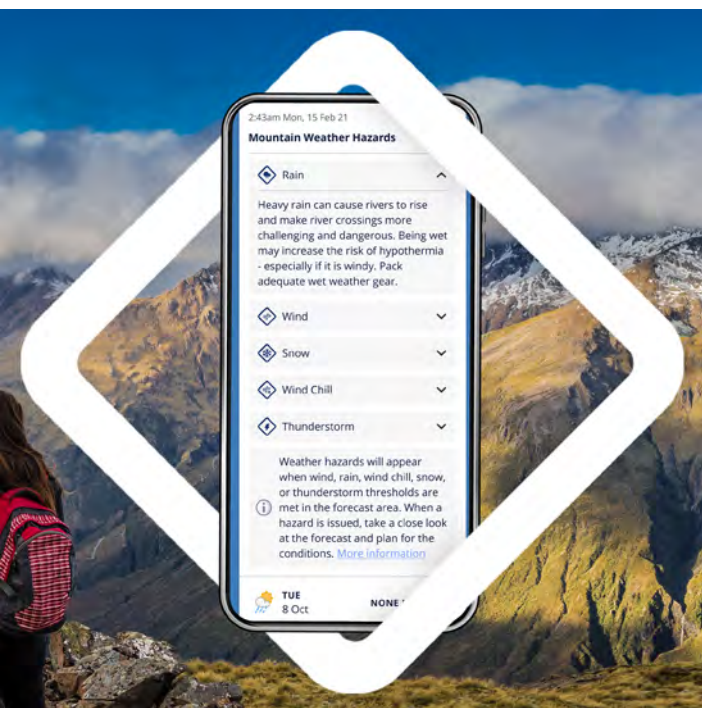
Transpower is the State-Owned Enterprise that owns and operates the National Grid — the high-voltage transmission network made up of more than 12,000 kilometres of transmission lines and more than 170 substations connecting areas of power generation with towns and cities across New Zealand.

Hydroelectric (hydro) generation is New Zealand's largest source of electricity, generating 60% of all power in 2019. In the interest

of public safety and security of supply, Transpower needs certainty of water-level information in catchment areas that feed into New Zealand's major hydro stations. This information enables Transpower to review whether electricity supply needs to move between the North and South Islands. Historically this has been achieved through complex hydrological modelling, but in conjunction with Transpower, MetService has developed a streamlined, cost-effective model that

measures rainfall and water volumes within key catchment areas.

This new model gives Transpower the ability to review both current and forecast rainfall within the catchment areas of a hydro dam, and the effects of rainfall on supply. Data is automatically supplied daily to Transpower's systems to aid its decision-making for six hydro catchment areas across New Zealand.



Mountain weather hazards on metservice.com

MetService introduces mountain weather hazards

MetService made changes to both internal mountain forecasting procedures and the experiences users of metservice.com have when engaging with the organisation's 12 mountain and park forecast locations.

With the safety of New Zealanders in mind, the most significant change was the introduction of mountain weather hazards, issued daily for up to three days in advance.

Mountain weather hazards cover five specific weather impacts (rain, wind, snow, thunderstorms, and wind chill), and are intended to aid the decision-making of those venturing into mountainous terrain.

Mountain weather hazards are designed not to prevent people venturing into mountainous terrain, but to act as guides for users to consider the impacts of the weather and to best plan accordingly, whether that be to pack more gear, plan an easier journey at a lower altitude, or postpone their trips until weather conditions improve.

Due to the increased risks in mountainous terrain, MetService has set lower thresholds for issuing weather hazards than it does for official MetService Severe Weather Watches and Warnings thresholds.

Our scientific expertise

Canterbury flooding – second-ever Red Warning



Canterbury Red Warning issued 28 May 2021

The forewarning provided by MetService was critical to ensuring people's preparedness and safety ahead of the deluge of rain that hit Canterbury at the end of May. The extreme rain resulted in significant flooding and the declaration of a region-wide state of emergency.

The MetService Severe Weather team had been tracking the incoming weather system, and soon realised that this was going to be a significant event. The certainty and alignment of models, along with consultation with the hydrologists at Environment Canterbury on how rivers would react to predicted rainfall amounts, enabled the team to make the call as early as possible.

A MetService Red Warning for Heavy Rain was issued on the morning of Friday 28 May for the Canterbury region and came into effect from 3pm on Saturday. This type of warning is reserved for only the most severe weather events where significant impacts, disruptions, and safety issues are expected.

MetService warned that heavy rain was expected to bring flooding and dangerous river conditions, and slips and floodwaters were likely to disrupt travel, making some roads impassable and possibly isolating communities.

With more than 28 hours' notice, local authorities and emergency services had as much time as possible to help warn their communities and to prepare.

MetService deployed additional meteorologists throughout the event, providing regular briefings to emergency management providers, producing broadcast videos daily that showed both the impacts of and forecasts for the event, and responding to numerous media, stakeholder, and public enquiries.

In a 48-hour period, several weather stations in the Canterbury high country recorded more than 300mm of rain, with one station receiving more than half a metre of rain during this event. Christchurch recorded around 100mm of rain during the event, while Ashburton



May 30 2021: Heavy and continual rain causes the Hawkins River to flood and flow over nearby farms and roads



Flooding at Selwyn Huts in Canterbury, as viewed from a helicopter
Credit: Stuff Limited



clocked up more than 150mm, more than two months' worth of rain. The impacts of this amount of rain wreaked havoc despite the precautions taken, but thankfully no lives were lost.

The value of the colour-coded warning system, introduced in mid-2019 was proven. The Red Warning, just the second issued by MetService, and the required actions were key messages in media reports, with the impact-based communications approach capturing attention.

MetService media reporting recorded 415 weather stories in the five-day period, of which 90%

mentioned MetService or MetService meteorologists' advice. All platforms and channels were used to get the warning out. During the event there was an 83% increase in pages viewed on [metservice.com](https://www.metservice.com) when compared to the same period the week prior. There was a 1082% increase in page views of the Canterbury rain radar, and an increase in page views of the MetService Severe Weather home page of more than 600%. More than 2300 people downloaded the New Zealand Weather App during this period, and the Facebook post announcing the issuing of the Red Warning reached more than 185,000 users.



Our relationships

Inroads to Australian retail

For businesses specialising in retail, the analysis of both sales and weather data can help enable accurate predictions of future sales patterns. MetraWeather has for more than a decade provided retail insights that support UK supermarket giants Waitrose, Tesco, and Morrisons in managing supply and demand chains based on forecast weather patterns.

This year MetraWeather expanded this service, launching into the Australian retail and supplier markets. One of the first companies that MetraWeather worked with was Holman Industries, a large supplier of watering, gardening, and plumbing products across Australasia.

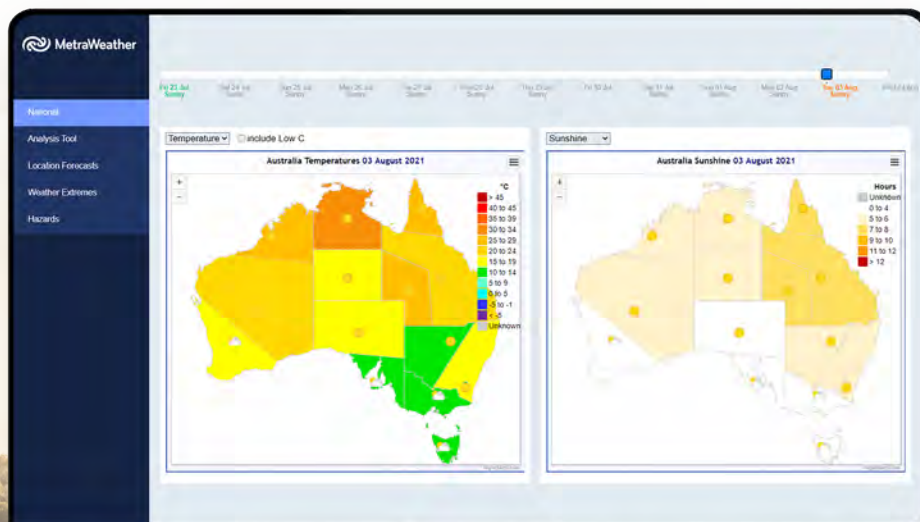
The challenge for Holman was quantifying the impacts of weather on retail sales. To address this challenge, senior MetraWeather meteorologists undertook studies of how weather affected demand across a range of retail categories. The studies identified that some products, such as garden hoses, had huge variability in sales volumes due to weather conditions alone.

Having reinforced the impacts of the weather across different retail sectors, MetraWeather presented a business case highlighting the value of seasonal forecasts in planning and purchasing decisions. Following a trial that outlined which weather parameters were important in driving sales, and where rainfall

deficiencies were in place, Holman signed a 12-month contract for seasonal briefings and forecast data. A similar approach was successful with Reckitt, a leading Australian consumer hygiene, health, and nutrition brand.

Based on this success, ongoing activity is underway to promote these services with Inside FMCG, Australia's leading digital platform for leaders in the business of grocery, convenience, pharmacy, and impulse shopping. Long term, MetraWeather is targeting steady growth in the retail sector across Australasia.

MetraWeather retail website for Australia customers



Supporting the aviation industry

Every commercial flight departing a New Zealand aerodrome is required to have a weather forecast for its planned flightpath. MetService is the only organisation in New Zealand regulated by the Civil Aviation Authority to provide the industry with this information.

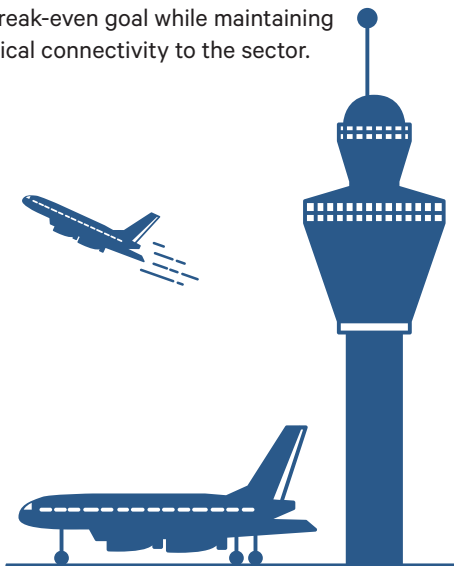
MetService provides critical safety information to airlines and pilots so they can best plan to avoid any significant weather and turbulence. Another threat to the aviation sector is the impact of icing on flights. Ice accumulating on the body of an aircraft can affect the performance of the aircraft. Larger aircraft can mitigate this risk somewhat but doing so requires the loading and use of more fuel.

MetService has a team of 14 aviation meteorologists operating

six aviation shifts daily to help equip those in the sector with the safety information they need. During the past 18 months, aviation revenue generated by MetService has dropped sharply, a situation attributed to the sharp decline in the volume of flights in and out of New Zealand. Throughout this period MetService has played its part to keep the sector safe, running the aviation sector of the business at a loss. Compared with pre-COVID-19 levels, MetService aviation revenue has dropped by approximately 40% this year.

Earlier this year, MetService was successful in its request for funding to ensure this essential service remained viable and was the recipient of more than \$500,000 through the Essential Transport

Connectivity (ETC) scheme. The goal of the scheme is to ensure that capacity, essential services, and regional connectivity continue in the wake of COVID-19. Recovering some of the costs of providing these services through the ETC has enabled MetService to work toward a break-even goal while maintaining critical connectivity to the sector.



MetService supports tourism sector

Like many organisations, MetService was affected financially through COVID-19, primarily due to losses in aviation revenue.

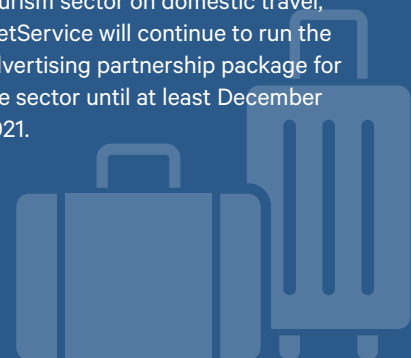
Few industries were affected more than New Zealand's tourism sector. During the national lockdown in 2020, MetService developed a New Zealand tourism kick-start package.

As domestic travel is weather dependent, MetService worked alongside Tourism New Zealand in providing Qualmark-registered tourism businesses

with complimentary access to MetConnect, a MetService platform that provides in-depth weather insights, to assist with operational decision-making for businesses. For 12 months from July 2020, MetService matched any advertising activity from the tourism sector dollar for dollar.

In total, more than 20 companies took part in the free trial to receive more in-depth weather insights throughout the year, with many of New Zealand's largest tourism

businesses taking up the dollar-for-dollar advertising support opportunity to improve their reach. Recognising the reliance of the tourism sector on domestic travel, MetService will continue to run the advertising partnership package for the sector until at least December 2021.



Our environment

New Zealand's first marine heatwave forecast

As part of the Moana Project, a five-year \$11.5 million ocean research initiative, New Zealand's first marine heatwave forecasts were produced this year.

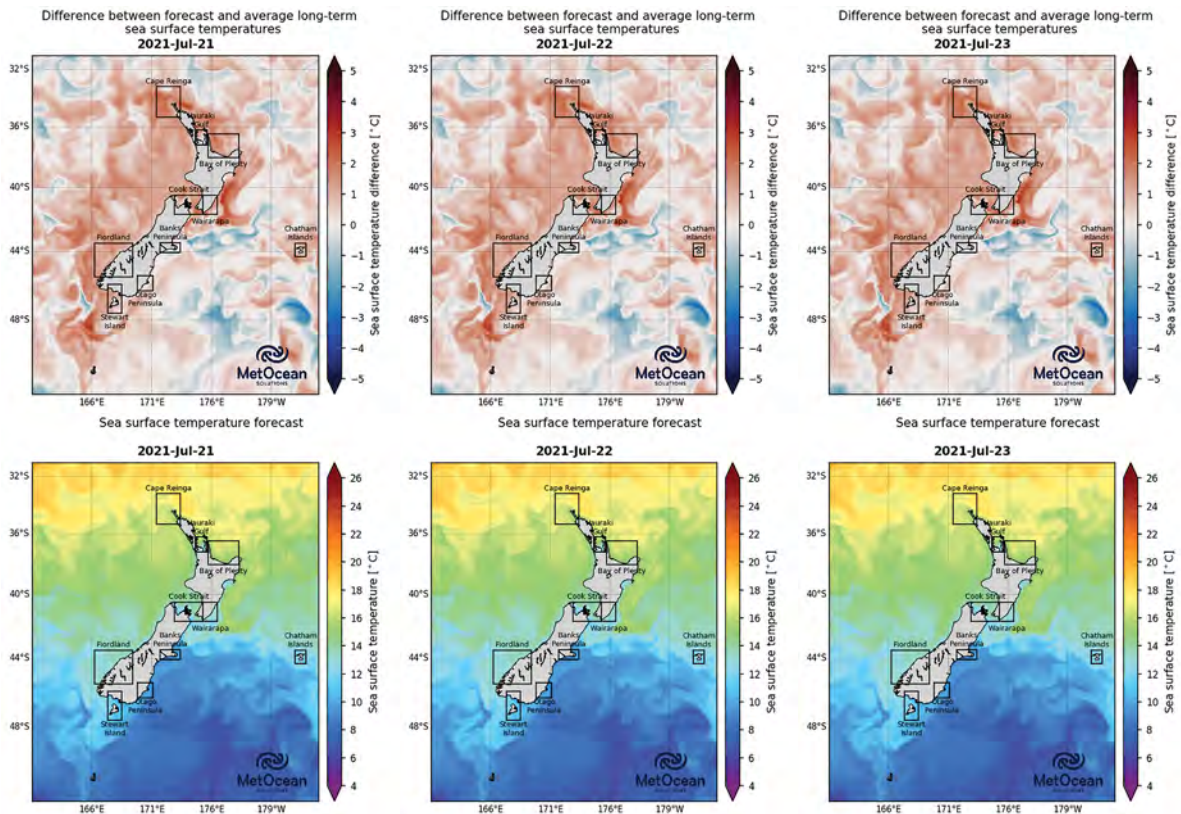
A marine heatwave is an extended period of extremely warm ocean temperatures. The scientific definition is when seawater temperatures are warmer than the 90th percentile of the local long-term (25-year) average for at least five consecutive days.

Warmer-than-normal temperatures associated with marine heatwaves can cause large-scale movements of

fish stocks, leading to harmful algae blooms, which can stress or even kill valuable aquaculture species such as salmon and mussels.

The national marine heatwave forecasts, and forecasts for 10 sites from Cape Reinga to Stewart Island, are freely available on the Moana Project website. Graphs show sea-surface temperature conditions for the previous three weeks, and forecasts for the next seven days. While the present tool provides short-range forecasts, the intent is to use machine-learning techniques to extend forecasts to a few months.

As climate change continues to affect our oceans, marine heatwaves are likely to become more common and crucial. By using advanced ocean modelling to forecast when and where marine heatwaves are likely to occur, the Moana Project team aims to provide warnings to ocean industries and coastal communities. For example, if a mussel farm owner has forewarning, they could prepare for the impacts of warmer weather by lowering the ropes on which the mussels grow into colder, deeper water.



Marine heatwave forecast images, long-term sea surface temperature (Top), Sea surface temperature (Bottom)



Platforms promote public benefit initiatives

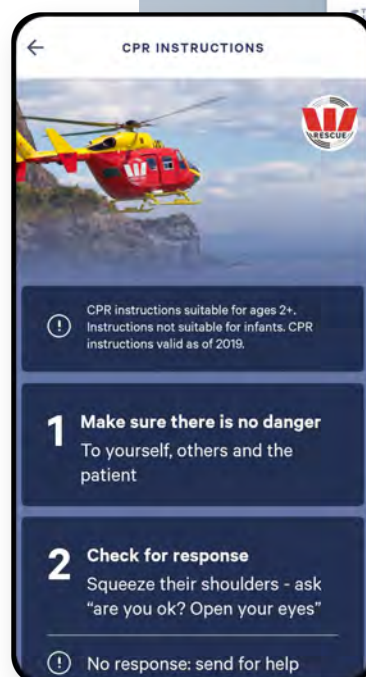
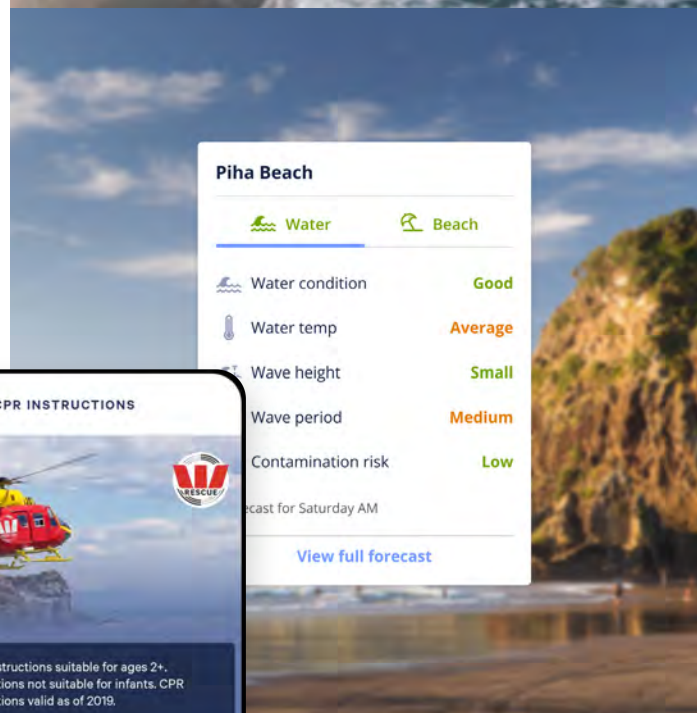
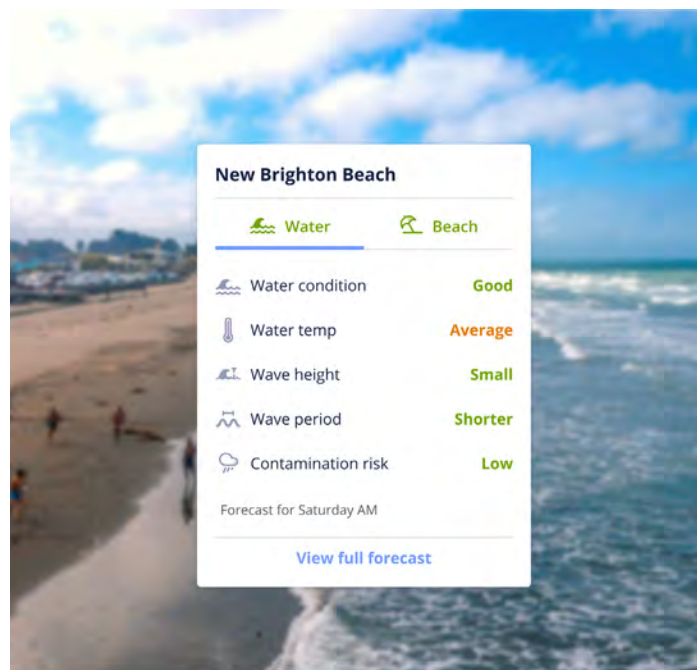
As it is a State-Owned Enterprise, it is imperative that MetService work closely with commercial partners. This year saw a greater volume of content partnerships on public facing MetService platforms that provided clear benefits to MetService users.

In December, MetService worked with Westpac to add CPR instructions to the MetService App to help keep Kiwis safe at the beach in time for summer. Due to the remoteness of beach locations, the decision was made to ensure that CPR instructions were always available to users on the app, even when offline.

Through work with Fire and Emergency New Zealand, MetService promoted current fire ratings around at-risk parts of Aotearoa, encouraging people to check their local fire danger ratings. Following a successful campaign, the intent is to build on the scope of this work to integrate fire safety information more widely across the website and app in the future.

MetService also worked in partnership with Water Safety New Zealand, to develop and deliver beach and swim forecasts for popular beach locations across the country. Forecasts for approximately 25 popular beaches were developed on metservice.com, and now provide information on water conditions that includes water temperature, wave height, and water contamination risk through rainfall. Again, the intent is to build on this work, integrating water quality messaging from councils across the country.

In addition, MetService platforms were used to support the New Zealand Police firearm amnesty throughout the year, and MetService received positive feedback for its activity in encouraging New Zealanders to vote, and vote early, in the 2020 general election.



Water safety for beaches (Top)

CPR instructions in MetService App (Left)



MetService partners with GNS

Science to improve ashfall forecasting

MetService and GNS Science have teamed up to research a new approach to generating ashfall forecasts. The research incorporates numerical weather prediction models and volcanic eruption parameters in a state-of-the-art hybrid ash-dispersion model. The outcome of this research will account for uncertainties in current and future atmospheric states in relation to eruption parameters, demonstrating a prototype to produce real-time ashfall probability forecasts.

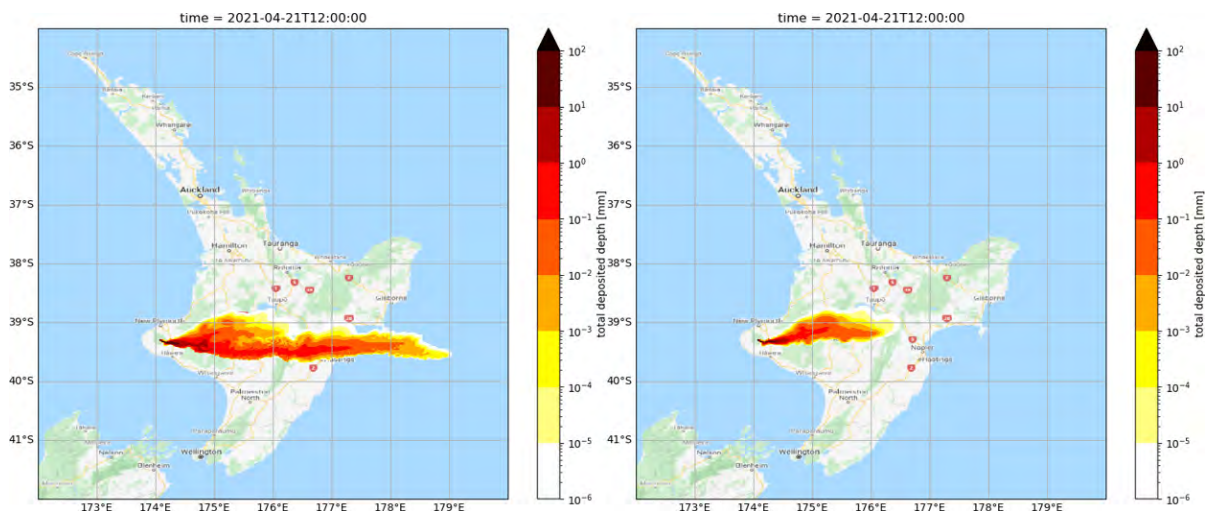
GNS is responsible for the geological hazard monitoring system in New Zealand, namely forecasting the expected distribution and thickness of volcanic ashfall on the ground if any volcano were to erupt. Besides the four volcanoes that have erupted in the past 50 years (Ruapehu, Ngāuruhoe, Tongariro, and Whakaari / White Island), there are six that pose significant risks to populations. The GNS ashfall system was re-designed to use state-of-the-art dispersion modelling functionality, implemented by MetService for the Wellington Volcanic Ash Advisory Centre.

MetService provides GNS with routine ashfall forecasts for the 10 New Zealand volcanoes, using a full 4-D atmospheric model combined with the Hybrid Single-

Particle Lagrangian Integrated Trajectory model, known as HYSPLIT. This allows the simulation of different ash size distributions, as well as wet and dry deposition processes. The collaboration with GNS will extend to account for uncertainty in atmospheric forecasts and in the eruption parameters that configure HYSPLIT.



MetService research scientist Rosa Trancoso explaining ashfall forecasting to TVNZ



An example of where and how much ash would fall 12 hours after a hypothetical eruption of Mount Taranaki on 21 April 2021.



Our people

A brand Kiwis trust



In May 2021, Colmar Brunton released its annual reputation research results for the public sector. The public sector reputation index survey 'had conducted 3500 interviews earlier in the year to find out New Zealanders' views on public-sector organisations.

MetService performed well, improving from 8th of 54 organisations in 2020 to 5th of 58 agencies in 2021.



MetService was in good company, joining Fire and Emergency New Zealand, the New Zealand Customs Service, Callaghan Innovation, and the National Emergency Management Agency in the top five. Reputation scores are determined based on four pillars (trust, social responsibility, fairness, and leadership). MetService had a well-rounded performance record, scoring in the top seven agencies across all four pillars.



Awareness of the role of MetService was among the highest of all agencies surveyed; 96% of respondents were aware of the role MetService plays in helping keep New Zealanders safe from the impacts of the weather. MetService also had the second-highest score of all public sector organisations across Aotearoa for delivering positive digital experiences.

New Zealand's Wild Weather book



New Zealand's Wild Weather, book available late 2021

Through a partnership with leading publisher Penguin Random House New Zealand, MetService is producing an informative and compelling coffee-table book that will help New Zealanders understand our weather better.

Drawing on the expertise of many of the meteorologists at MetService, New Zealand's Wild Weather explains in simple terms the science behind our weather, while climate scientist James Renwick provides insights into how our weather is being affected by the changing climate.

Incredible eyewitness accounts of New Zealand's severe weather open

many of the 16 chapters. Drawing the reader in, they also illustrate the vital role MetService plays in forewarning people of the impacts of the weather. Experts across the organisation were interviewed by writer Gerard Hutching who shaped the narrative, with fine-tuning completed by communications specialists at MetService.

The 257-page book is filled with stunning photographs and infographics that help to bring New Zealand's weather to life. It will be released and available for purchase from early November 2021 — just in time for Christmas!



Board of Directors



Sophie Haslem, Chair

Sophie Haslem is a professional director working across multiple industry sectors including logistics, technology, agriculture, private-equity investment, and property. She brings over 20 years of broad commercial executive experience, working across both large established corporate entities and early-stage growth companies, and over a decade of governance experience to the table. Sophie is a Chartered Member of the Institute of Directors in New Zealand.



Tupara Morrison, Deputy Chair and Chair, Audit and Risk Assurance Committee

Tupara Morrison has extensive governance and senior executive experience within the health, tertiary education, iwi development and tourism sectors. He is a director on a number of private and iwi boards including a ministerial appointment to the New Zealand Māori Arts and Crafts Institute in his hometown of Rotorua. Tupara is a Chartered Accountant and Fellow of CAANZ, and a Member of the Institute of Directors in New Zealand. His whakapapa is to Ngāti Whakaue iwi in the rohe (region) of Te Arawa.



Roanne Parker, Chair, People, Culture and Remuneration Committee

Roanne Parker has founded, partnered, grown and sold several companies across a broad range of sectors over 25 years. Today her commercial interests are predominantly in the areas of digital, technology and marketing data, from where she has delivered expertise to many of New Zealand's most successful organisations, along with mentoring and support to earlier stage companies. Roanne brings to the board mergers and acquisitions expertise and an entrepreneurial viewpoint. She holds a Certificate of Company Direction from the Institute of Directors in New Zealand and serves as a director on a number of boards, most recently being appointed to the Board of the New Zealand Lotteries Commission.



Stephen Eaton

Stephen Eaton has held chief executive and senior management roles in the financial services and asset management sectors in New Zealand, including 17 years as CEO of a significant national company with assets of \$12 billion. He brings expertise in corporate governance, risk management and compliance, as well as proficiency in business strategy and profitability. Stephen provides advice to companies on capital raising and expansion strategies. He is a Member of the Institute of Directors in New Zealand.



Brent Armstrong

Brent Armstrong is a business consultant and former lawyer. Brent practised commercial law for 24 years, including as a partner in leading law firms in New Zealand and the UK. Returning from the UK in 2003, Brent has undertaken a wide range of consultancy assignments including implementing cross-border manufacturing joint ventures, advising on complex hydro-electricity engineering projects, providing governance and strategic commercial advice to start-up companies and serving as a board member of an engineering design company. Brent resigned as a director on 30 April 2021.



Dave Moskovitz

Dave Moskovitz is a professional director and early-stage investor, and takes an active role in a number of start-ups, several of which focus on educational technology. He provides consultancy services around innovation, entrepreneurship, and technology for a variety of clients in the public and private sector and works with a number of community initiatives. He serves on the EdTechNZ Council and the boards of Xerra Earth Observation Institute and a number of early-stage companies. Dave is a Member of the Institute of Directors in New Zealand.





Margaret Devlin

Margaret Devlin is a professional director operating predominantly in the infrastructure and service sectors. She also holds a number of governance roles across the

infrastructure sector and is a passionate advocate of diversity and inclusion, particularly in the infrastructure sector. Margaret is a Chartered Fellow of the Institute of Directors in New Zealand and a member of its Waikato branch. Margaret brings to the Board significant experience in both the retail and infrastructure sectors. Margaret resigned as a director on 21 July 2020.



Dr Wendy Lawson

Dr Wendy Lawson is a scientist, with her own research specialty being in the area of glaciology. She is currently Professor and Pro Vice Chancellor of Science at the

University of Canterbury Te Whare Wānanga o Waitaha. Her governance experience is predominantly in the Crown and not-for-profit science and geospatial sectors and includes previous appointments to the Boards of NIWA and Antarctica New Zealand, and current appointments to the Board of FrontierSI in Melbourne. Her qualifications include a Postgraduate Certificate in Public Administration from the University of Warwick and a PhD in Science from Cambridge University. Wendy resigned as a director on 2 December 2020.



Governance overview

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

Shareholders

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

Each Minister is responsible to the House of Representatives for the performance of the functions delegated to them under the SOE Act. In turn, the MetService Board is responsible to the Shareholding Ministers for ensuring effective corporate governance across the MetService Group. The Ministers' expectations are stated in the Owner's Expectations Manual (published on Treasury's website), and in the letter of expectations sent to every SOE 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 the '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 2021, the Board comprised five directors. Each director is considered to be independent, in that each is independent of the management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the directors' unfettered and independent judgement.

In accordance with the Board Charter, the Chair takes the leadership role in the conduct of the Board and its relationship 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 Expectation Manual.

The changes to the board composition of MetService during the 2020/21 financial year include the resignation of Margaret Devlin on 21 July 2020, the resignation of Dr. Wendy Lawson on 2 December 2020 and the end of term of Brent Armstrong on 30 April 2021.

The Board's role

The Board is responsible to the Shareholding Ministers for directing and monitoring the management and affairs of the MetService Group. The MetService Group is comprised of Meteorological Service of New Zealand Limited, MetOcean Solutions Limited (non-trading), MetraWeather (Australia) Pty Ltd, MetraWeather (Thailand) 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 Senior Leadership Team.

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 member	Board meeting attendance (Total meetings were held for FY 2020/21)
Sophie Haslem	12/12
Tupara Morrison*	10/12
Stephen Eaton	12/12
Roanne Parker	12/12
Dave Moskovitz	12/12
Brent Armstrong**	10/12
Wendy Lawson***	0/12
Margaret Devlin****	0/12

*Partial attendance for meeting held on 15 June 2021

**End of term on 30 April 2021

***Leave of absence 1 July 2020 and subsequently resigned on 2 December 2020

****Resigned on 21 July 2020

Outside of standard monthly board meetings, three additional meetings were held.

Board committees

The Audit and Risk 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.

The Board also has the power to establish ad-hoc committees as required to deal with specific issues.

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 and Risk Assurance Committee meetings. The Audit and Risk Assurance Committee also holds a 'director-only' session, which provides an opportunity for candid interaction with the external auditors to ensure a robust and independent audit process.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee is chaired by Tupara Morrison and normally comprises of two other directors. Following the end of term of Brent Armstrong on 30 April 2021, the Committee currently has two 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 the 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 Roanne Parker and currently comprises of two 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 Senior Leadership Team
- monitoring succession planning and reviews of the Chief Executive officer and Senior Leadership Team
- overseeing the appointment, performance and remuneration of the Chief Executive Officer.



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 and oversight on 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 that meets best practice standards and ensures, and encourages, 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 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

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 Codes of Proper 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 61 - 64 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



Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	Note	Group 2021 \$000s	Group 2020 \$000s
Total Revenue and Other Income	3	59,443	60,312
Operating Expenses			
Collaboration / Subcontractor Costs		3,150	2,799
Employee Benefits Expense	4	30,701	29,474
Communication Costs		633	694
Network Observing Costs		2,351	2,673
IT Costs		5,828	4,399
Data Transformation Costs		3,547	3,331
Marketing Costs		593	537
Occupancy Costs		787	850
Office Expenses		342	372
Professional Expenses		1,182	1,059
Other Costs		2,106	2,455
Depreciation and Amortisation Expense	17,18,21	8,438	9,242
Total Operating Expenses	5	59,658	57,885
Operating (Loss)/Profit		(215)	2,427
Financial Costs	6	541	579
(Loss)/Profit Before Taxation		(756)	1,848
Taxation	7	(160)	488
Net (Loss)/Profit Attributable to Equity Holders		(596)	1,360
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Movement in Foreign Currency Translation Reserve		51	23
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		(545)	1,383

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



Statement of Financial Position as at 30 June 2021

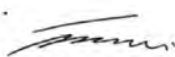
	Note	Group 2021 \$000s	Group 2020 \$000s
Equity			
Issued Capital	8	5,000	5,000
Foreign Currency Translation Reserve		(503)	(554)
Retained Earnings		18,406	19,002
Total Equity		22,903	23,448
Liabilities			
Trade and Other Payables	9	8,189	5,798
Forward Foreign Exchange Contracts	23	4	8
Lease Liability	21	526	448
Employee Benefits	11	2,047	2,218
Total Current Liabilities		10,766	8,472
Deferred Taxation	7	-	293
Provisions	12	586	560
Lease Liability	21	2,188	2,597
Employee Benefits	11	42	71
Borrowings	13	10,500	13,000
Total Non Current Liabilities		13,316	16,521
TOTAL LIABILITIES AND EQUITY		46,985	48,441
Assets			
Cash and Cash Equivalents	22	8,746	9,171
Trade and Other Receivables	10	5,579	5,047
Income Taxation Receivables		413	183
Inventories	14	307	508
Total Current Assets		15,045	14,909
Trade and Other Receivables	10	401	268
Deferred Taxation	7	125	112
Property, Plant and Equipment	17	14,138	14,317
Intangible Assets	18	14,753	15,989
Right-of-Use Asset	21	2,523	2,846
Total Non Current Assets		31,940	33,532
TOTAL ASSETS		46,985	48,441

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 14 September 2021.



S Haslem
Director



T Morrison
Director



Statement of Changes in Equity for the year ended 30 June 2021

GROUP 2021	Note	Attributable to Owners			Total \$000s
		Fully Paid Ordinary Shares \$000s	Retained Earnings \$000s	Foreign Currency Translation Reserve \$000s	
Equity as at 1 July 2020		5,000	19,002	(554)	23,448
Net Loss		-	(596)	-	(596)
Currency Translation Differences		-	-	51	51
Total Comprehensive Income		-	(596)	51	(545)
<hr/>					
EQUITY AS AT 30 JUNE 2021		5,000	18,406	(503)	22,903
<hr/>					
GROUP 2020					
<hr/>					
Equity as at 1 July 2019		5,000	17,915	(577)	22,338
NZ IFRS 16 Leases Transition	21	-	(273)	-	(273)
Restated Total Equity as at 1 July 2019		5,000	17,642	(577)	22,065
<hr/>					
Net Profit		-	1,360	-	1,360
Currency Translation Differences		-	-	23	23
Total Comprehensive Income		-	1,360	23	1,383
<hr/>					
EQUITY AS AT 30 JUNE 2020		5,000	19,002	(554)	23,448

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



Statement of Cash Flows for the year ended 30 June 2021

	Note	Group 2021 \$000s	Group 2020 \$000s
Cash Flow from Operating Activities			
Cash was Provided from:			
Receipts from Customers		59,284	62,272
Interest		6	59
Cash was Applied to:			
Payments to Suppliers and Employees		(49,063)	(48,811)
Interest Paid		(547)	(638)
Income Taxation Paid		(332)	(1,600)
Net Cash Generated by Operating Activities	20	9,348	11,282
Cash Flow from Investing Activities			
Cash was Provided from:			
Proceeds from Disposal of Property, Plant and Equipment and Intangibles		6	3
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangibles		(2,805)	(3,555)
Labour Capitalisation (Assets)	4	(3,990)	(4,210)
Net Cash Used by Investing Activities		(6,789)	(7,762)
Cash Flow from Financing Activities			
Cash was Applied to:			
Repayment of Borrowings	13	(2,500)	(1,000)
Lease Liability - Principal Payments	21	(484)	(430)
Net Cash Used by Financing Activities		(2,984)	(1,430)
Net (Decrease)/Increase in Cash and Cash Equivalents		(425)	2,090
Add Cash and Cash Equivalents at the Beginning of the Year		9,171	7,081
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	8,746	9,171

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 2021

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 14 September 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), and certain classes of property and plant and equipment.

Standards adopted for the first time

None.

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

None.

New Interpretations

Configuration or customisation costs in a cloud computing arrangement: In March 2019, the IFRS Interpretations Committee ("IFRIC") released guidance concluding that software-as-a-service ("SaaS") arrangements are likely to be service arrangements rather than intangible assets. In April 2021, the IFRIC released further guidance concluding that customisation and configuration costs in SaaS arrangements

would not create an intangible asset because the software isn't controlled and these activities don't create a separate resource. The guidance applies retrospectively.

Customisation and configuration costs are described in the guidance as costs involved in:

- modifying the software code in the application or writing additional code.
 - the setting of various 'flags' or 'switches' within the application software, or defining values or parameters, to set up the software's existing code to function in a specified way.
- Management has performed an assessment of the impact on historical SaaS projects and has concluded that the impact of the guidance is not material to the financial statements.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2021. 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 the following portfolios:

- Forecasting data and licence
- Interactive



- Marine
- 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

Marine Consultancy

Revenue is recognised at the time the service is delivered.

Timing of recognition – Point in 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.

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.

Government grants relating to costs are deferred and

recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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%
Buildings on Leasehold Land	31% – 33.3%
Meteorological Equipment	2.5% – 33.3%
Plant & Equipment	4.0% – 33.3%
Computer Hardware & Software Equipment	20.0% – 33.3%
Furniture & Fittings	8.0% – 33.3%
Motor Vehicles	10.0% – 22.0%
Office Equipment	10.0% – 33.3%



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

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.

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.

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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

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 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 at the time of creation.

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, forward contracts and lease liabilities.

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, employee benefits 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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

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

COVID-19 Pandemic

New Zealand has been fortunate to have spent much of this financial year at Level 1 on the COVID-19 Alert System.

While still affected by the impacts of COVID-19, particularly in the aviation sector, our financial performance for the year for the underlying business remained positive due to a number of cost saving initiatives.

The Group continues to place restrictions on discretionary spending in areas such as entertainment, travel, conference attendance and training.

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

Note 18: Intangible Assets

The scale and duration of impacts of COVID-19 is expected to continue to evolve after the date of this report.



3. REVENUE AND OTHER INCOME	Group 2021 \$000s	Group 2020 \$000s
Contracts with Customers – revenue recognised over time	57,609	58,278
Contracts with Customers – revenue recognised at a point in time	931	1,835
Grant income	713	35
Other	190	164
TOTAL REVENUE AND OTHER INCOME	59,443	60,312

Aviation revenue has been significantly impacted by COVID-19 in 2020 and 2021, however full services have continued to be provided on an as needed basis. MetService has received a contribution towards a portion of the costs incurred in maintaining essential transport connectivity. Total received for the current year is \$500,000. (2020: nil)

4. EMPLOYEE BENEFITS EXPENSE	Group 2021 \$000s	Group 2020 \$000s
Wages and Salaries	32,324	31,597
Kiwisaver / Superannuation Contributions	766	686
Labour Capitalised	(3,990)	(4,210)
Contractors/Temporary Staff	1,054	671
Other Employee Benefits	547	730
TOTAL EMPLOYEE BENEFITS	30,701	29,474

5. OPERATING EXPENDITURE	Group 2021 \$000s	Group 2020 \$000s
Profit for the year has been arrived after charging/(crediting)		
Audit Fees of Financial Statements paid to PwC	160	153
Audit Fees Related to Audit of Subsidiary MetraWeather (UK) Ltd paid to Crowe Clark Whitehall (CCW)	26	24
Audit Fees Related to MetraWeather (Thailand) Ltd paid to Khun Natakorn	2	2
(Decrease) / Increase in Allowance for Impairment of Trade Receivables	(80)	82
Directors' Fees	162	218
Fees Paid to CCW (UK) for Payroll and Accounting Services	23	15
Foreign Exchange Loss/(Gains)	118	(22)
Impairment of Intangible Assets	239	80
Insurance	711	676
Loss on Disposal of Property, Plant and Equipment	57	20
Research Expenditure	583	318
Travel & Accommodation	181	684



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

5. OPERATING EXPENDITURE (CONTINUED)

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.

However, MetService has been investigating alternative options for seismic strengthening versus moving facilities. As part of this process, and to continue the company's resilience project, one off costs have been incurred during the year to move the company's data centre off premise and this should be completed by the end of the calendar year.

The operating loss for the 2021 financial year includes the one off spend of \$2.5M relating to the move of the data centre offsite (IT Costs) and the work completed to date on the Kelburn Seismic assessment (Building Maintenance).

	Group 2021 \$000s	Group 2020 \$000
Operating (loss)/profit	(215)	2,427
Seismic assessment & Data Centre move	2,533	527
Operating profit excluding one off significant items	2,318	2,954

5(ii) Account Code Reclassification

From 1 July 2020, the Group has renamed the cost category 'data acquisition costs' to 'network observing costs' to better reflect the nature of the cost reported here. Actual 'data acquisition costs' have been reclassified to 'IT costs' (June 2020: \$559,000). Comparatives have been restated.

6. FINANCE COSTS – NET	Group 2021 \$000s	Group 2020 \$000s
Interest Revenue		
Bank Deposits	6	66
Total Finance Income	6	66
Interest on Bank Overdrafts and Loans	433	512
Interest Expense - Lease Liability	114	126
Use of Money Interest	-	7
Total Finance Costs	547	645
FINANCE COSTS – NET	541	579



7. TAXATION	Group 2021 \$000s	Group 2020 \$000s
(Loss)/Profit Before Taxation	(756)	1,848
Prima Facie Taxation Thereon at 28%	(212)	517
Non-Deductible Legal Fees	16	3
Non-Deductible Expenditure	8	11
Prior Period Adjustment	50	(16)
Effect of Different Tax Rates in Other Jurisdictions	(10)	(5)
Reinstatement of tax depreciation on buildings	–	(73)
Re-recognise Deferred Tax Asset - MetraWeather (UK) Limited	8	–
Write off tax balances – MetraWeather Thailand Limited	–	5
Other	(20)	46
TAXATION (BENEFIT)/EXPENSE	(160)	488
Current Taxation	95	1,009
Prior Period Adjustment – Current Taxation	62	(96)
Deferred Taxation	(315)	(504)
Prior Period Adjustment – Deferred Taxation	(2)	79
TAXATION (BENEFIT)/EXPENSE	(160)	488
Deferred Tax		
Deferred tax (liabilities)/assets arise from the following:		
TEMPORARY DIFFERENCES		
Property, Plant and Equipment	(791)	(559)
Intangible Assets	–	(468)
Net deferred tax liability	(791)	(1,027)
Deferred tax assets arise from the following:		
NZ IFRS 16 adjustment	53	90
Provisions and Other Liabilities	734	644
MetService losses carried forward	56	–
MetraWeather (UK) losses carried forward	73	112
Deferred tax asset	916	846
Deferred Taxation		
Opening Balance	(181)	(700)
On Profit for the Year	304	504
Prior Period Adjustment	2	(79)
Amount recognised in equity	–	94
CLOSING BALANCE	125	(181)
IMPUTATION CREDITS FOR USE	10,278	9,984

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.

In March 2020, the Government re-introduced the deductibility of depreciation on buildings for tax purposes for buildings not primarily used for residential accommodation. The impact of this change results in a reduction in deferred tax liability and tax expense of \$73,000 in 2020.

A New Zealand corporate tax rate of 28% applies in both the 2021 and 2020 income tax years.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

8. ISSUED CAPITAL

	Group 2021 \$000s	Group 2020 \$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 2021 \$000s	Group 2020 \$000s
Trade Payables	2,970	1,975
Other Payables	1,267	291
Accruals	1,773	1,376
Contract Liability Income in Advance	2,179	2,156
TOTAL TRADE AND OTHER PAYABLES	8,189	5,798

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 2021 \$000s	Group 2020 \$000s
Revenue recognised that was included in the contract liability balance at the beginning of the period	2,156	1,767

10. TRADE AND OTHER RECEIVABLES

	Group 2021 \$000s	Group 2020 \$000s
Trade Receivables – Contracts with Customers	3,121	3,196
Allowance for Impairment	(67)	(147)
	3,054	3,049
Prepayments – current	1,787	1,407
Sundry Debtors – current	738	591
TOTAL TRADE AND OTHER RECEIVABLES – CURRENT	5,579	5,047
Prepayments – non current	401	268
TOTAL TRADE AND OTHER RECEIVABLES – NON CURRENT	401	268

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 \$37,708 (2020: \$336,465) 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.



	Group 2021 \$000s	Group 2020 \$000s
Ageing Past Due Trade Receivables (Not Impaired)		
30–60 days	30	185
60–90 days	6	20
Above 90 days	2	131
TOTAL	38	336

Movement in the Allowance for Impairment

Opening Balance as at 1 July	147	64
Increase in Loss Allowance	7	143
Impairment Losses Reversed	(87)	(60)
CLOSING BALANCE AS AT 30 JUNE	67	147

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. In 2020 and 2021, Management has considered the impact the COVID-19 pandemic 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%, the Group has maintained the provision at \$54,330 (2020: \$54,330).

Included in the allowance for impairment are individually impaired trade receivables with a balance of \$7,138 (2020: \$86,505) for the Group, relating to receivables from entities which have been considered doubtful.

11. EMPLOYEE BENEFITS	Group 2021 \$000s	Group 2020 \$000s
Annual Leave Entitlement	2,047	2,218
Termination Leave	42	71
TOTAL EMPLOYEE BENEFITS	2,089	2,289

Termination Leave

Opening Balance as at 1 July	71	75
Reductions Arising from Payments/ Other Sacrifices of Future Economic Benefits	(29)	(4)
CLOSING BALANCE AS AT 30 JUNE	42	71

Termination Leave – Current	–	–
Termination Leave – Non Current	42	71
CLOSING BALANCE AS AT 30 JUNE	42	71

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.

Termination leave has been calculated by the actuarial firm Aon NZ Ltd and has been calculated based on inter alia: contractual employee entitlements, projected employee salary increases, expected resignation and retirement rates, forecasted market discount rates.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

12. PROVISIONS	Group 2021 \$000s	Group 2020 \$000s
Non Current		
Restoration Provision	586	560
TOTAL NON CURRENT PROVISIONS	586	560
Restoration Provision		
Opening Balance as at 1 July	560	573
Additions	48	20
Increase in Provision	29	154
Effects of Changes in Discount Rates	(46)	30
Annual Usage	(5)	(217)
CLOSING BALANCE AS AT 30 JUNE	586	560

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 Campbell Island. In 2020, work was completed on Campbell Island to safely remove asbestos and diesel tanks. The Parent has used the ten-year government bond rate of 1.75% (2020: 0.86%) as the discount rate and assumed a 1.5% (2020: 2.5%) 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 2021: \$337,970 (2020: \$342,558).

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.

13. BORROWINGS	Group 2021 \$000s	Group 2020 \$000s
Secured		
Non Current		
Bank Loan	10,500	13,000
TOTAL BORROWINGS	10,500	13,000

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 95 basis points as at 30 June 2021. There is a line-of-credit charge of 0.045% 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 and due for renewal between 15 March 2022 and 11 December 2023. The bank loans will mature on 30 June



2024. The average interest rate for the loans as at 30 June 2021 is 3.29% (2020: 3.93%).

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 2021, all banking covenants had been complied with throughout the period.

Net Debt Reconciliation

Borrowings at 30 June 2021 were \$10.5 million, down \$2.5 million from 30 June 2020 due to loan repayments.

14. INVENTORIES	Group 2021 \$000s	Group 2020 \$000s
Meteorological Consumables	307	508
TOTAL INVENTORIES	307	508

The cost of inventories recognised as an expense during the year was \$581,372 (2020: \$511,412).

No provision has been made against inventory items held at year end.

15. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 30 June 2021 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

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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

16. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

Loans to/(from) Subsidiaries

The Parent provides funds to MetraWeather (Australia) Pty Limited, MetraWeather (UK) Limited and MetraWeather (Thailand) 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 salary and bonus.

Key management personnel includes Directors and the Senior Leadership Team.

	Group 2021 \$000s	Group 2020 \$000s
Total Senior Leadership Team (short-term benefits)	3,028	2,458
Directors' Remuneration	162	218
	3,190	2,676

Compensation of the Chief Executive Officer

Total Chief Executive Officer (CEO)*	421	429
Performance Pay Paid Relating to Prior Year**	-	128
Kiwisaver / Superannuation Contributions	13	17
	434	574

* In May 2020 the CEO volunteered to receive a 10% reduction in remuneration, on the same terms as set out by the Prime Minister as part of our COVID-19 response. This reduction was applied until the CEO resigned and received his final pay in July 2020.

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

Other Related Parties

The Group acquired marketing services from Calibrate Marketing Limited in 2020 to the value of \$12,708. This entity is no longer controlled by a member of key management personnel.

A member of our key management personnel has a minor shareholding in Cloudsource Limited. The Group maintain an agreement with Cloudsource Limited whereby they were paid a one off fee of \$57,000 in 2020 for the provision of hosting and support services for an application maintained by the entity. The Group have also invoiced \$6,000 (2020: \$13,700) for revenues generated by the application.

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



17. PROPERTY, PLANT & EQUIPMENT

GROUP 2021	Land & Buildings \$000s	Meteorological Equipment & Plant \$000s	ICT Equipment, Vehicles & Furniture \$000s	Capital Work In Progress \$000s	Total \$000s
Cost	9,721	27,984	8,043	801	46,549
Accumulated Depreciation and Impairment	(7,429)	(17,668)	(7,314)	-	(32,411)
CARRYING AMOUNT	2,292	10,316	729	801	14,138
Opening Carrying Amount 1 July	2,785	8,132	1,077	2,323	14,317
Additions at Cost	9	442	209	1,437	2,097
Disposals	-	-	(7)	-	(7)
Depreciation	(502)	(1,207)	(560)	-	(2,269)
Work In Progress Movement	-	2,949	10	(2,959)	-
NET BOOK VALUE AS AT 30 JUNE	2,292	10,316	729	801	14,138
GROUP 2020	Land & Buildings \$000s	Meteorological Equipment & Plant \$000s	ICT Equipment, Vehicles & Furniture \$000s	Capital Work In Progress \$000s	Total \$000s
Cost	9,712	24,658	8,460	2,323	45,153
Accumulated Depreciation and Impairment	(6,927)	(16,526)	(7,383)	-	(30,836)
CARRYING AMOUNT	2,785	8,132	1,077	2,323	14,317
Opening Carrying Amount 1 July	3,310	8,922	980	544	13,756
Additions at Cost	17	71	673	2,071	2,832
Disposals	(18)	(1)	-	-	(397)
Depreciation	(524)	(1,152)	(576)	-	(2,252)
Accumulated Depreciation Recovered	460	184	734	-	1,378
Work In Progress Movement	-	292	-	(292)	-
NET BOOK VALUE AS AT 30 JUNE	2,785	8,132	1,077	2,323	14,317



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

18. INTANGIBLE ASSETS

GROUP 2021	Goodwill	Software	Customer Base	Capital Work In Progress	Total \$000
Cost	3,025	58,016	412	3,083	64,536
Accumulated Amortisation	–	(49,371)	(412)	–	(49,783)
CARRYING AMOUNT	3,025	8,645	–	3,083	14,753
Opening Carrying Amount 1 July	3,025	10,313	–	2,651	15,989
Additions at Cost	–	22	–	4,641	4,663
Disposals	–	(71)	–	–	(71)
Asset Impairment 2020	–	80	–	–	80
Asset Impairment 2021	–	(239)	–	–	(239)
Amortisation Expense	–	(5,669)	–	–	(5,669)
Work in Progress Movement	–	4,209	–	(4,209)	–
NET BOOK VALUE AS AT 30 JUNE	3,025	8,645	–	3,083	14,753

GROUP 2020	Goodwill	Software	Customer Base	Capital Work In Progress	Total
Cost	3,025	56,145	412	2,651	62,233
Accumulated Amortisation	–	(45,832)	(412)	–	(46,244)
CARRYING AMOUNT	3,025	10,313	–	2,651	15,989
Opening Carrying Amount 1 July	3,025	10,890	–	3,735	17,650
Additions at Cost	–	15	–	4,907	4,922
Disposals	–	(251)	–	–	(251)
Asset Impairment 2019	–	318	–	–	318
Asset Impairment 2020	–	(80)	–	–	(80)
Amortisation Expense	–	(6,570)	–	–	(6,570)
Work in Progress Movement	–	5,991	–	(5,991)	–
NET BOOK VALUE AS AT 30 JUNE	3,025	10,313	–	2,651	15,989

Internally developed software and capital work in progress includes software development to be used in sellable products and installations of infrastructure. The amount to be capitalised is determined on the basis of time spent by employees developing these assets. Timesheets are used for recording hours spent against specific pre-approved activities, both capital and operational. The timesheets are reviewed against the criteria determined in the accounting policy and approved by management. IT development is allocated at a rate of \$103 per hour (2020: \$103) and Network Engineer's rate is \$72 per hour (2020: \$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 2023, incorporating the impact of COVID-19. The discount rate is based on the Group's Weighted Average Cost of Capital. At 30 June 2021, a pre-tax discount rate of 8.42% (2020: 8.74%) 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. These cash flows have been adjusted for the impact of COVID-19 which is expected to result in a decline in revenue generated during the next period. The discount rate is based on the Group's Weighted Average Cost of Capital. At 30 June 2021, a pre-tax discount rate of 8.42% (2020: 8.74%) was applied to the model. A terminal growth rate of 2.0% was applied to the model. Uncertainty remains over the impact of COVID-19 in the medium to long term. However a reasonable change in assumptions would not result in impairment. This valuation is level 3 in the fair value hierarchy. In 2020, the value in use model utilised by management used a cash flow forecast to 2023, with an average revenue growth rate of 5.0%.

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. No dividend is expected to be paid due to the requirement to seismically strengthen the Wellington facility and the impact on the business of COVID-19.

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

	Group 2021 \$000s	Group 2020 \$000s
Reconciliation of Net (Loss)/Profit with Cash Flow from Operating Activities		
Net (Loss)/Profit for the Year	(596)	1,360
Non Cash/Non Operating Items		
Depreciation and Amortisation	8,438	9,242
(Decrease) in Deferred Tax	(305)	(519)
Loss on Forward Foreign Exchange Contracts	4	8
Impairment losses on PPE and Intangibles	310	80
Loss on Sale of Fixed Assets	57	20
Increase in Restoration Provision	78	221
Less Restoration Provision unwound	(52)	(217)
Other Non Cash Operating Items	(114)	(121)
INCREASE IN NON CASH ITEMS	8,416	8,714
Movements in Working Capital		
(Increase)/Decrease in Receivables	(663)	1,445
Increase in Accounts Payable and Accruals	2,218	757
(Increase) in Income Taxation Receivable	(228)	(828)
Decrease/(Increase) in Inventories	201	(166)
Total Movement in Working Capital	1,528	1,208
NET CASH GENERATED BY OPERATING ACTIVITIES	9,348	11,282



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

21. LEASES

The Group as Lessee:

21(a) Right-of-Use Asset

Group 2021	Land & Buildings \$000	Asset Retirement Obligation \$000	Total \$000
Opening Carrying Asset 1 July	2,681	165	2,846
Additions	40	48	88
Variable lease payments adjustment	55	-	55
Modification to lease terms	34	-	34
Depreciation	(439)	(61)	(500)
CARRYING AMOUNT AS AT 30 JUNE	2,371	152	2,523

Group 2020	Land & Buildings \$000	Asset Retirement Obligation \$000	Total \$000
Opening Carrying Asset 1 July	-	-	-
Adoption of NZ IFRS 16 - 1 July 2019	2,920	-	2,920
Additions	176	165	341
Variable lease payments adjustment	5	-	5
Depreciation	(420)	-	(420)
CARRYING AMOUNT AS AT 30 JUNE	2,681	165	2,846

21(b) Lease Liability

	Group 2021 \$000s	Group 2020 \$000s
	Land & Buildings	Land & Buildings
Opening Liability 1 July	3,045	-
Adoption of NZ IFRS 16 - 1 July 2019	-	3,294
Additions	40	176
Disposals	-	-
Variable lease payments adjustment	79	5
Modification to lease terms	34	-
Interest expense of lease liability	114	126
Payments	(598)	(556)
CARRYING AMOUNT AS AT 30 JUNE	2,714	3,045
Current portion of lease liability	526	448
Non-current portion of lease liability	2,188	2,597
CARRYING AMOUNT AS AT 30 JUNE	2,714	3,045



21(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 2021	Group 2020
	\$000s	\$000s
Expense relating to low-value assets	171	223
Expense relating to short term leases	41	94
Depreciation charge of right-of-use asset	499	420
Interest expense (included in finance costs)	114	126

21(d) Amounts recognised in the Cash Flow Statement

	Group 2021	Group 2020
	\$000s	\$000s
Principal lease payments (included in financial activities)	484	430
Interest expense (included in operating activities)	114	126
Short term, low-value assets and variable lease payments (included in operating activities)	212	317
	810	873

21(e) Contractual Maturities for Lease Liabilities

	Group 2021	Group 2020
	\$000s	\$000s
Less than Six Months	307	318
Six to Twelve Months	227	238
Between One and Two Years	417	924
Between Two and Five Years	753	738
Over Five Years	1,789	1,658
Total Contractual Cash Flows	3,493	3,876
Carrying Amount	2,714	3,045

21(f) Non Cancellable Operating Lease Commitments (Short Term & Low Value Assets)

From 1 July 2019, the group has recognised right of use assets for these leases, except for short term and low value assets, see 21(a).

	Group 2021	Group 2020
	\$000s	\$000s
Non Cancellable Operating Lease Commitments		
Not Later than One Year	169	221
Later than One Year and Not Later than Five Years	-	21
Later than Five Years	-	-
	169	242



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

22. 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 2021 \$000s	Group 2020 \$000s
TOTAL CASH AND CASH EQUIVALENTS	8,746	9,171

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

23. 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 stakeholders through the optimisation of the debt and equity balance. This year it was agreed with Treasury to not pay an annual dividend and to retain the funds to aid in the upcoming building redevelopment.

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 2021, the interest cover was 19.1 (2020: 22.8) and the leverage ratio was 0.21 (2020: 0.33).

Financial instruments by category

Categories of Financial Instruments	Group 2021 \$000s	Group 2020 \$000s
Assets		
FINANCIAL ASSETS AT AMORTISED COST		
Cash and Cash Equivalents	8,746	9,171
Trade and Other Receivables	3,793	3,640
TOTAL FINANCIAL ASSETS	12,539	12,811



Categories of Financial Instruments	Group 2021 \$000s	Group 2020 \$000s
Liabilities		
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and Other Payables	5,667	3,260
Borrowings	10,500	13,000
Lease Liabilities	2,714	3,045
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Forward Foreign Exchange Contracts	4	8
Termination Leave	42	71
TOTAL FINANCIAL LIABILITIES	18,927	19,384

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 2021 \$000	Liabilities 2020 \$000	Assets 2021 \$000s	Assets 2020 \$000s
Group				
US Dollars	464	69	516	419
British Pounds	5	–	508	600
Euro	39	–	240	355
Australian Dollars	47	54	1,703	1,614
Thai Baht	–	9	6	18
	555	132	2,973	3,006

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 \$220,000 (2020: \$261,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by \$310,000 (2020: \$319,000).



Notes to the Financial Statements (Cont.) for the year ended 30 June 2021

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2021	Group 2020
	\$000s	\$000s
Fair Value Loss on contracts held	4	8

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. (2020: \$130,000). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by \$105,000 (2020: \$130,000).

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.

Management has considered the increase in credit risk posed by the COVID-19 pandemic and have maintained the current expected credit loss provision. To date, the Company continues to experience delays in payment but no significant defaults.

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 \$4 million (2020: \$4 million) 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.



Financial Liabilities

	Group 2021 \$000s			Group 2020 \$000s	
	Borrowings \$000s	Interest Payable \$000s		Borrowings \$000s	Interest Payable \$000s
<6 Mths	-	173	<6 Mths	-	256
6-12 Mths	-	173	6-12 Mths	-	256
1-5 Yrs	10,500	691	1-5 Yrs	13,000	511
5+ Yrs	-	-	5+ Yrs	-	-
	10,500	1,037		13,000	1,023

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.

24. CAPITAL COMMITMENTS

	Group 2021 \$000s	Group 2020 \$000s
Commitments for the acquisition of property, plant and equipment	44	600

25. SUBSEQUENT EVENTS

As a result of the proposed seismic strengthening work on its Kelburn premises, a 36 month lease has been signed for Level 2 / 110 Featherston Street, Seabridge House, Wellington. Commencement date is 1 November 2021 with rent of \$48,362 paid monthly in advance. There is an option to terminate after 17 months.

Management have considered the impact of the COVID-19 nationwide lockdown after year end and no adjustments were required to the financial statements.



Independent Auditor's Report

TO THE READERS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 31 to 58, that comprise the Statement of Financial Position as at 30 June 2021, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 15 September 2021. 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 30 and pages 61 to 69, 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 Standard 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.



Sarah Turner

On behalf of the Auditor-General
Wellington, New Zealand



PricewaterhouseCoopers



Statutory Information

Results of operations

	2021 \$000s	2020 \$000s
Net (Loss)/Profit	(596)	1,360
Retained Earnings at Beginning of the Year	19,002	17,915
NZ IFRS Leases Transition	–	(273)
Retained Earnings at End of the Year	18,406	19,002

Changes in accounting policies

There have been no material changes in accounting policies during the year. The policies are set out on pages 35–41.

Changes in capital

There were no changes in capital during the year.

Remuneration bands

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

	Number
\$100,000 – \$109,999	36
\$110,000 – \$119,999	22
\$120,000 – \$129,999	25
\$130,000 – \$139,999	19
\$140,000 – \$149,999	16
\$150,000 – \$159,999	8
\$160,000 – \$169,999	3
\$170,000 – \$179,999	3
\$180,000 – \$189,999	2
\$190,000 – \$199,999	1
\$200,000 – \$209,999	1
\$220,000 – \$229,999	2
\$230,000 – \$239,999	1
\$240,000 – \$249,999	1
\$250,000 – \$259,999	1
\$290,000 – \$299,999	1
\$320,000 – \$329,999	1

Donations

Monetary donations for the year totaled \$200.

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 \$159,710.

The amount in respect of the year for other services provided by PricewaterhouseCoopers is nil.

Directors' fees

The total fees payable to members of MetService Board during financial year was \$162,182. The total Board fees are within the amount authorised by the Shareholding Ministers.

Sophie Haslem (Chair)*	\$42,988
Tupara Morrison (Deputy Chair)	\$29,310
Brent Armstrong (resigned 30 April 2021)	\$19,540
Margaret Devlin (resigned 21 July 2020)	–
Stephen Eaton	\$23,448
Prof Wendy Lawson (resigned 2 Dec 2020)**	–
Dave Moskovitz	\$23,448
Roanne Parker	\$23,448
Total Directors' Remuneration	\$162,182

* In May 2020 the Chair volunteered to receive a 10% reduction in Directors Fees for 12 months, on the same terms as set out by the Prime Minister as part of our COVID-19 response.

** Prof Wendy Lawson took a leave of absence from 1 July 2020 and subsequently resigned 2 December 2020. No directors fees were paid during this time.

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 2021 are:

Director	Company	Nature of Interest	
Sophie Haslem (Chair)	Centre Port Properties Limited Tauranga Crossing GP Limited LIC Agritechnology Company Limited	Director	
	CentrePort Limited	Deputy Chair Chair of Audit and Risk Committee Chair of Remuneration Committee	
	Kordia Group Limited	Director	
	Oyster Property Group Limited & Subsidiaries Rangatira Limited Livestock Improvement Corporation Limited	Chair of Audit and Risk Committee	
	Omphalos Limited	Director/Shareholder	
	Tupara Morrison (Deputy Chair and Chair, Audit and Risk Assurance Committee)	MOTAT Competenz Te Puia NZMACI Management Limited Nga Kaihoe o Aotearoa (Waka Ama NZ)	Director
Kāinga Ora		Contract Consultant	
NZMG Limited		Director/ Shareholder	
Te Puia Limited		Chairman	
Te Kotahitanga o Ngāti Whakaue Assets Trust Māori Education Trust		Trustee	
Waiheke Oranga Urgent After Hours Limited		Trustee/Director	
Pukeroa Oruawhata Trust Ngati Whakaue Tribal Lands Inc Whakaue GP Limited Kotahi te Hoe Limited		Shareholder	
Roanne Parker (Chair, People, Culture and Remuneration Committee)		New Zealand Lotteries Commission (Lotto NZ) Pulse GP Limited Araroa Property Limited	Director
		Wonderstuff Limited Skyspace Family Trustee Limited Hopscotch Waiheke Limited The Mashery Limited	Director/Shareholder
		Stephen Eaton	AMS Consult Limited
	Hanlu Consulting Limited Number 63 Limited		Director/Shareholder
	Bronnie Limited		Shareholder



Statutory Information (Cont.)

Dave Moskovitz	Catalyst Cloud Limited Xerra Earth Observation Limited	Director
	Victoria University of Wellington Te Taura Whiri I te Reo Māori	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 Chatterize Limited	Chair/ Director/ Shareholder
	Arabic Digital Reform Institute	Advisor/ Shareholder
	Think Tank Consulting Limited Golden Ticket Limited WebFund Limited WebFund Smartshow Holdings Limited WebFund Golden Ticket Holdings Limited Hyperstart Limited	Director/Shareholder
	Wellington Abrahamic Council	Co-chair/ Councillor
	Te Muka Rau Charitable Trust	Trustee
	Moskovitz Frykberg Family Trust Think Tank Brains Trust	Trustee / Beneficiary
	The Christchurch Call Advisory Network	Advisor
	WIP APP Limited Ponoko Limited Admin Innovations Limited Common Ledger Limited Cloud Cannon Limited Debtor Daddy Limited VidApp Limited Tapi Limited Sharesies Limited Cloudsource Holdings Limited Conscious Consumers Limited (CoGo) Thought-Wired Limited Showgizmo Limited Celsias Limited	Shareholder
	Lightning Lab 2013 Limited Partnership Lightning Lab 2014 Limited Partnership Lightning Lab XX Limited Partnership Startmate NZ 2020 Limited Partnership Movac Fund 5 Limited partnership	Limited Partner
	InternetNZ NZ Open Source Society NZ Rise Royal Society AngelHQ ICE Angels Institute of Directors NZ	Member
	Privacy Foundation NZ Tohatoa Creative Commons NZ	Member
	Wellington Progressive Jewish Congregation	Lay leader / Member



Brent Armstrong (resigned 30 April 2021)	Laurie & Darryl Limited	Director / Shareholder
Margaret Devlin (resigned 21 July 2020)	Titanium Park Limited IT Partners Group Limited Infrastructure New Zealand Auckland City Water Limited Waimea Water Limited Londongreen Limited	Director
	Watercare Services Limited	Chair Member of AMP and Major Projects Committee Member of People and Culture Committee
	Waikato Regional Airport Limited	Director Member of Audit and Risk Committee
	Waikato University	Councillor Member of Audit and Risk Committee
	Waikato District Council	Independent Chair of Audit and Risk Committee
	Aurora Energy Limited	Director Chair of Audit and Risk Committee Member of Health and Safety Committee
	Women in Infrastructure	Chair of Advisory Board
	Hospice Waikato	Chair
	WINTEC	Deputy Chair Chair of People and Culture Committee
	Lyttleton Port Company Limited	Chair Member of Audit and Risk Committee Member of People and Culture Committee
Prof Wendy Lawson (resigned 2 December 2020)	FrontierSI Te Pūnaha Matatini MacDiarmid Institute	Director
	University of Canterbury	Pro Vice-Chancellor of the College of Science Assistant Vice Chancellor Strategic Projects (secondment until 30/06/2020)
	Diversity Working Group of Royal Society Te Apārangi Ministry of Business, Innovation and Employment (MBIE) independent panel (Te Pae Kahurangi) to review Crown Research Institutes (CRIs)	Member
	Tomorrow's Skies Charitable Trust	Trustee
	Safer Christchurch Governance Group	Board Member

Directors' statement

This Annual Report is for the period 1 July 2020 to 30 June 2021 and is signed on behalf of Meteorological Service of New Zealand Limited's Board of Directors.



S Haslem
Director



T Morrison
Director



Key Performance Indicators

Financial

	Statement of Corporate Intent	Actual 2021	Actual 2020
1. Shareholder Returns			
Total Shareholder Return	0.0%	0.2%	-10.8%
Dividend Yield	0.0%	0%	0%
Dividend Payout	0.0%	0%	0%
Return on Equity (ROE)	-14.7%	-2.6%	5.9%
Return on Funds Employed	0.3%	-0.7%	6.7%
2. Profitability/Efficiency			
NPAT	-3,225	-596	1,360
Normal Trading EBIT	100	2,536	2,954
EBIT	-2,911	-215	2,427
EBITDA	8,520	8,223	11,669
Asset Turnover	1.24	1.27	1.29
Operating Margin (EBITDAF)	15.0%	13.8%	19.3%
Operating Margin (Normal Trading)	0.2%	4.3%	4.9%
Operating Margin (EBIT)	-5.1%	-0.4%	4.0%
3. Leverage/Solvency			
Gearing Ratio (net)	34.7%	7.1%	14.0%
Interest Cover	13.5	15.1	18.3
Solvency	1.25	1.40	1.76
Debt Coverage Ratio	-	-	5.36
4. Bank Covenants			
Interest Cover ratio* (>3)	16.4	19.1	22.8
Total Leverage ratio (<3)	1.53	0.21	0.33
5. Growth/Investment			
Revenue Growth	-6.5%	-1.4%	-1.3%
EBITDA Growth	-28.7%	-29.5%	-17.6%
NPAT Growth	-377.5%	-143.8%	-46.7%
Capital Renewal	1.15	0.81	0.85

* 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.	$(\text{Commercial value}_{\text{end}} \text{ less Commercial value}_{\text{beg}} \text{ plus dividends paid less equity injected}) / \text{Commercial value}_{\text{beg}}$
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 equity over the period.
2. Profitability/Efficiency		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	Revenue/Assets.
Operating Margin (EBITDAF)	The profitability of the Company per dollar of revenue.	EBITDAF/Revenue.
Operating Margin (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.	Net 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.



Key Performance Indicators

Non-financial

	Statement of Corporate Intent	Actual 2021	Actual 2020
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%	44%
POD Heavy Rain (12 mo mean)	>90%	92%	97%
POD Severe Gales (24 mo mean)	>85%	93%	93%
POD Heavy Snow (24 mo mean)	>85%	89%	100%
FAR Heavy Rain (12 mo mean)	<25%	11%	15%
FAR Severe Gales (24 mo mean)	<30%	20%	18%
FAR Heavy Snow (24 mo mean)	<30%	16%	13%
2. Our Networks and Platforms			
Radar % Uptime (12 mo mean)*	>97%	99%	99%
AWS % Uptime (12 mo mean)*	>98%	99%	99%
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	15	10
Monetary value (\$000) of social investment (free digital advertising to charity, environmental organisations and COVID-19 recovery initiatives)	250	247	230
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%	NA**
Taha wairua (spiritual wellbeing): percentage of employees that have completed the unconscious bias e-learning modules	75%	68%	NA**
5. Our Environment			
Number of new applications that improve the safety of coastal communities and infrastructure	2	2	NA**
Number of features on metService.com website that encourage environmentally conscious decision-making	2	1	NA**

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

**Additional KPIs added in 2021 and historical data not available.



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)	<p>The ratio of severe forecast events that didn't occur (false alarms) to the number of events forecast.</p> <p>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.</p>
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.



Company directory

DIRECTORS

Sophie Haslem (Chair)
Tupara Morrison (Deputy Chair and Chair, Audit and Risk Assurance Committee)
Margaret Devlin (resigned 21 July 2020)
Brent Armstrong (resigned 30 April 2021)
Stephen Eaton
Dr Wendy Lawson (resigned 2 December 2020)
Dave Moskovitz
Roanne Parker (Chair, People, Culture and Remuneration Committee)

EXECUTIVE

Chief Executive

Stephen Hunt (started January 2021)
Peter Lennox (departed July 2020)

GM Science Strategy

Norm Henry

Chief Financial Officer

Keith Hilligan (Acting CEO July 2020 - January 2021)

GM Meteorological Operations

Ramon Oosterkamp

GM Sales

Rob Harrison

GM Strategy & Governance

Tina Dustdar (departed July 2021)

GM People Experience

Natalie Lombe

Chief Information Officer

Mark Huttley (departed September 2020)
Stacey Perrett (fixed term September 2020 - June 2021)
Wyn Ackroyd (current July 2021)

GM MetOcean

Brett Beamsley

GM Products and Partnerships

Matt Pearce

BANKER

Westpac Banking Corporation
318 Lambton Quay
PO Box 1298
Wellington, New Zealand

Design: Jinhee Jung

This report is also available online at metservice.com and metraweather.com

AUDITOR

Sarah Turner, with the assistance of
PricewaterhouseCoopers
10 Waterloo Quay
PO Box 243
Wellington, New Zealand
On Behalf of:
Office of the Auditor-General
100 Molesworth Street
PO Box 3928
Wellington, New Zealand

HEAD OFFICE

Meteorological Service of New Zealand Ltd
30 Salamanca Road, Kelburn
PO Box 722
Wellington 6140
New Zealand
Telephone +64 4 4700 700
www.metservice.com
www.metraweather.com

REGISTERED OFFICES

Europe

MetraWeather (UK) Ltd
40 Caversham Road
Reading RG1 7BT
United Kingdom
Telephone +44 1183 805063

Australia

MetraWeather (Australia) Pty Ltd
Level 6, 657 Pacific Highway
PO Box 413, St Leonards
Sydney NSW 2065
Australia
Telephone +61 2 9449 9771

Asia

MetraWeather (Thailand) Ltd
C/o Premier Thai Lawyers Ltd (Head Office)
Liberty Square, #1803, 18th Floor,
287 Silom Road, Silom,
Bangrak, Bangkok
Thailand

Meteorological Service of New Zealand
(Thailand Representative Office)
C/o Premier Thai Lawyers Ltd (Head Office)
Liberty Square, #1803, 18th Floor,
287 Silom Road, Silom,
Bangrak, Bangkok
Thailand



Corporate Office

30 Salamanca Rd, Wellington 6012

PO Box 722, Wellington 6140

New Zealand

Phone +64 4 4700 700

metservice.com metraweather.com metocean.co.nz

This report is also available online at metservice.com

