


MetService

Annual Report 2020





Resilience and the essential service we provide

The expertise of our people is what defines us. The wellbeing of people is what makes us successful.

Every day our meteorologists, oceanographers, data analysts, computer modellers and researchers apply their expertise and our teams translate it into meaningful weather and environmental insights.

During the COVID-19 lockdown, MetService's team of 304 adapted to keep our people safe while still providing the information New Zealanders (and their businesses) rely on 24/7.

Deemed an essential service by the Government we managed to have 88% of our organisation working from home during lockdown – as evidenced by our cover imagery.



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Year in review

Our People



304

Employees

254 people at MetService, 16 at MetraWeather (our international brand) and 34 at MetOcean Solutions (our oceanography division).



9

MMET graduates

Our Master of Meteorology (MMET) runs in partnership with Victoria University of Wellington. Two of the nine graduates were international students from the Kiribati Meteorological Service, and Meteorological, Climatology, and Geophysical Agency of Indonesia.

Online influence



72,185

Twitter followers

8.4% growth in Twitter followers from July 2019 to June 2020.



\$240,885

Social investment

Our social investment number is the value of free advertising we have given to charity/non-profit organisations over the last year.



17,631

Instagram followers

8.3% increase in Instagram followers from July 2019 to June 2020.



6,976

Media articles

MetService appeared in 6,976 media articles in the 2020 financial year across print and online platforms.



148,081

Facebook fans

7.7% growth in Facebook fans from July 2019 to June 2020.



+65%

App impressions

The total number of app impressions are 78,395,009 in the last 12 months.



Forecast accuracy



93%

Severe gales

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



100%

Heavy snow

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



97%

Heavy rain

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

Finance information

6.7%

Return on funds employed

4.0%

Operating margin

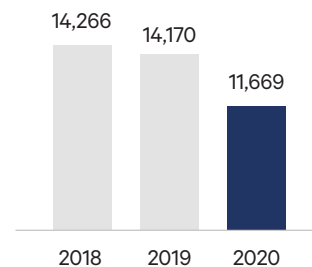
5.9%

Return on equity

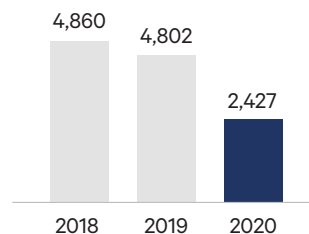
-1.3%

Growth in total revenue

EBITDA (\$000)



Operating profit (\$000)



Connecting with Aotearoa

Our work as New Zealand's oldest, continuous scientific institution, affects New Zealanders daily.

Through unrivalled local experience and world-leading capability, MetService is proud to help people stay safe and make informed decisions based on the weather.

Research



Through partnerships with universities, iwi, and central government, we play a leading role in the scientific research of land and ocean related forecasting. We help advance New Zealand's economy and environment through the informed understanding of our changing climate.

Tourism



Our forecasts drive decision-making across New Zealand's tourism industry. With National Park and ski field forecasts, MetService provides safety critical information for those heading into the great outdoors.

Aviation



Our aviation forecasts support all aircraft to safely navigate New Zealand's skies. Air traffic dropped significantly in 2020, and MetService is working closely with the aviation industry to reshape the services we provide to the sector.

On the roads



Our weather technology and data help keep New Zealand's roads open, ensuring transport partners are aware of weather impacts. MetService continually exceeds the forecasting performance targets set by the Ministry of Transport in predicting heavy snow, severe gales and heavy rain.

Primary industries



Our expertise informs decisions across the agriculture and horticulture sectors. Our support is not limited to food production and farming, MetService also works closely with sectors such as mining and forestry to support safety and productivity.

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 best manage energy demand when and where it is needed.



Marine



Our marine forecasts help make it safer at sea. Our work with Australasian ports, offshore oil exploration and large-scale vessels helps the marine sector operate both safely and efficiently.

Broadcast



Our weather graphics enable 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 produces over 50 weather videos each week used by digital news providers.

Across the Pacific



Our focus extends beyond New Zealand, with continued lightning detection infrastructure developments across the Pacific, supporting Pacific communities and the aviation sector alike.

Emergency management



MetService works closely with the National Emergency Management Agency, and emergency management providers throughout the country, to ensure these organisations have the most accurate information to prepare for 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 works globally on climate led initiatives including volcanic ash detection and tropical cyclone preparedness.

Reputation



A New Zealand public sector reputation survey ranked MetService eighth out of 54 public sector agencies in 2020. MetService scored highly as being trustworthy, easy to connect with online, contributing to economic growth, and having a positive influence on society.

Around the world



With approximately 10% of our revenue coming from outside New Zealand, we have a strategy for growth, with a focus on the marine and broadcast media sectors in international markets.



Chair's report



Sophie Haslem
Chair



I'm delighted to present this year's annual report that has exceeded forecast accuracy targets while delivering a profit in an unprecedented time.

Our purpose

Our purpose at MetService is a simple one: we help people stay safe and make informed decisions, based on the weather. We work hard to ensure everyone in Aotearoa has access to timely, accurate weather information, be it through our website and app, or through radio, social media, television, print, or the forecasts we generate for commercial customers.

MetService has a proud track record based on world-class quality standards, cutting-edge technology, and the delivery of insights based on expertise. Despite the challenges of the latter half of this financial year, we've again exceeded all forecast accuracy targets set, and delivered some great results as is evident through this year's annual report.

Adapting to COVID-19

The global hit to the aviation industry had the greatest impact on our business. Fewer flights in and around New Zealand resulted in less demand for aviation forecast information, and this resulted in a reduction in aviation revenue over the full year of almost 20%. We've taken a prudent approach to mitigate this impact, adapting our commercial strategies and harnessing the diverse capability within the organisation to refocus. The commitment and ingenuity

of the team, as demonstrated over the last few months, lays a strong foundation for the future.

We've revised our flexible working policy this year, which came into great effect as the impacts of COVID-19 became apparent. Despite being an essential service, 88% of our people worked from home during Alert Levels 3 and 4. This helped ensure essential staff that were needed in our workplaces encountered as few people as possible and we've shared some stories of their experiences on page 13 of this report. I'd like to personally acknowledge the incredible team effort of our people, making special mention of information technology teams who enabled more than we thought possible.

Financial performance

MetService had a successful and productive year, delivering a profit, albeit a re-forecast one, due to COVID-19. Our financial performance for the year in the circumstances was strong. Revenue of \$60.3 million was -1.3% down on the previous year driven mainly by the impact of COVID-19. Net cash flow from operating activities remained strong at \$11.3 million for the financial year, slightly down on the prior year, this allowed further repayment of borrowings of \$1 million and further strengthening of our balance sheet.

The net gearing ratio at financial year end was 14%, significantly better than the Statement of Corporate Intent target of 24.1%.

Diversity and inclusion

Our workforce is truly global, with more than 30 nationalities represented in our team of 304. As a result, diversity and inclusion is especially important at MetService.

This year saw the completion of unconscious bias training for all our people and in the coming years we intend to grow this aspect of our unique and special culture.

Thanks and acknowledgements

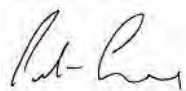
As Chair, I acknowledge the energy and commitment of my fellow directors over the past financial year, particularly Ant Howard who served five years as MetService Board Chair until April 2020. We have an experienced and talented group who is committed to MetService and the contribution the organisation makes to the safety and wellbeing of all New Zealanders.

On behalf of the MetService Board I thank our outgoing Chief Executive Peter Lennox for nine successful years at the helm, the Senior Leadership Team, and all employees of MetService for their achievements in this challenging year.

As custodians of a trusted New Zealand brand, my fellow directors and I share a strong sense of responsibility and pride in the organisation's direction. We look forward to a focussed and productive year ahead.



Chief Executive's report



Peter Lennox
Chief Executive



It was an autumn like no other. During and post the COVID-19 lockdown MetService seamlessly continued to achieve our overarching purpose; to help people stay safe and make informed decisions, based on the weather.

Deemed an essential service by the Government, I'm very proud of our team of 304 who nimbly and resiliently adapted so that we could keep them safe while providing the information New Zealanders (and their businesses) rely on 24/7.

Everyday our meteorologists, oceanographers, data analysts, computer modellers, researchers and teams apply their expertise into meaningful weather and environmental insights. Therein lies our value and it's what our long-standing and trusted reputation is based upon both at home and internationally.

Our highlights

In the spirit of celebrating success, here are some of this year's achievements:

A major revamp of [metservice.com](https://www.metservice.com) (one of the top-five most visited New Zealand websites) was launched, greatly enhancing our ability to communicate urgent severe weather advice and more daily forecasts now and into the future.

A new long-term contract has been signed with NZ Transport Agency (NZTA) to help them maximise the safety of the road-using public and NZTA staff and contractors.

As a great example of exporting Kiwi smarts to the world, Al Jazeera signed a three-year contract to use our innovative weather graphics system Weatherscape XT to enhance their weather broadcasts to a huge global audience.

The Moana Project led by MetOcean Solutions and involving New Zealand's leading marine scientists, is making great progress to better understand and forecast our oceans' behaviour.

Global connection

Under the World Meteorological Organization, MetService has a range of regional responsibilities. Included in these is the operation of Tropical Cyclone Warning Centre Wellington, one of 12 official cyclone warning centres globally.

During New Zealand's lockdown, Severe Tropical Cyclone Harold (the most significant since Gita) traversed the South Pacific causing widespread destruction and a number of fatalities. Although not bound for New Zealand, our tropical cyclone experts performed regular communication checks with the Regional Specialised Meteorological Centre in Fiji; we are their back-up should they be unable to operate. The event was a stark reminder of the critical role we play within the region, especially as cyclones are expected to become more intense and impactful due to climate change.

Our people

The expertise of our people is what defines us. The wellbeing of our people is what makes us successful.

Over the last year, we engaged all 304 employees in New Zealand, Australia, Asia and Europe in a culture change programme to create an environment that enables our people to be the best they can be. There is positivity for the next steps of this journey.

Modernising our forecasting tools was a key focus this year and we've made good progress. These innovations free up our people so they can spend their time where it adds the most value.

The future of meteorology looks bright, if the calibre of this year's nine graduates of the Master of Meteorology, run in partnership with Victoria University of Wellington, is anything to go by.

Thanks

It has been a great honour to lead the National Meteorological Service of New Zealand over the last nine years. This year, however, is my last at the helm as I depart to take up a new role as CEO of the Institute of Environmental Science and Research (ESR).

I would like to thank both the current Chair Sophie Haslem, and our prior Chair Ant Howard and the Board for their governance. My final thanks and best wishes go to the 'happy and professional 304' who make MetService the trusted organisation it is.



Our network

MetService operates offices from six locations throughout New Zealand.

While almost three quarters of our team is based in Wellington, we've invested heavily in the resilience of our network in recent years, especially in Auckland, where forecasting capability, data storage and data management have been enhanced.

Our Kāpiti-based engineering team manage and service our weather network in New Zealand and the South Pacific, while maintaining weather network facilities owned by third parties.

Our MetOcean team of oceanographers is primarily based in Raglan and New Plymouth, and our media graphics unit team works in Christchurch.

Outside of New Zealand, MetService operates under the MetraWeather brand, with registered offices in Australia, the United Kingdom, and a representative office in Thailand.

6

Office locations

9

Weather Radar

211

Automatic Weather Stations

4

Upper Air Observatories



*Puysegur Point, Automatic Weather Station
Fiordland National Park*





Stories from the year



Adapting to COVID-19

Adapting to COVID-19

The widespread impact of COVID-19 dominated activity for the latter half of the year. As a business, MetService experienced immediate reductions in revenue from a range of key sectors, namely aviation and interactive (online advertising).

MetService began to monitor the evolving COVID-19 situation in January 2020. As MetService operates a safety critical service to all New Zealanders – the ongoing resilience of the operation was of the most importance.

Some of the initiatives implemented by MetService as the situation evolved included:

- Prior to the Alert Levels being established, stringent protocols on domestic and international travel and self-isolation for staff were set. These protocols exceeded the Alert Levels then set by the Ministry of Health and remained in place as Alert Levels de-escalated.
- Criteria were developed to determine critical (who could not work remotely) and non critical staff. Before Alert Levels were introduced approximately 90% of non critical staff were working remotely. All New Zealand offices were closed to the public and off-limits to all but essential staff at Alert Levels 3 and 4.
- Meteorological Operations Business Continuity Plan – we developed a priority plan around what essential services would be provided, should we need to reduce service levels.
- All business units collectively reviewed and updated Business Continuity Plans to ensure rapid implementation should it have been required.
- Most essential meteorological forecast shifts operated remotely at Alert Levels 3 and 4. During this time, Auckland and Wellington MetService forecast rooms were off-limits to all but essential forecast staff. A second forecast room in Wellington was established, enabling greater physical distancing.

Supporting all of Government

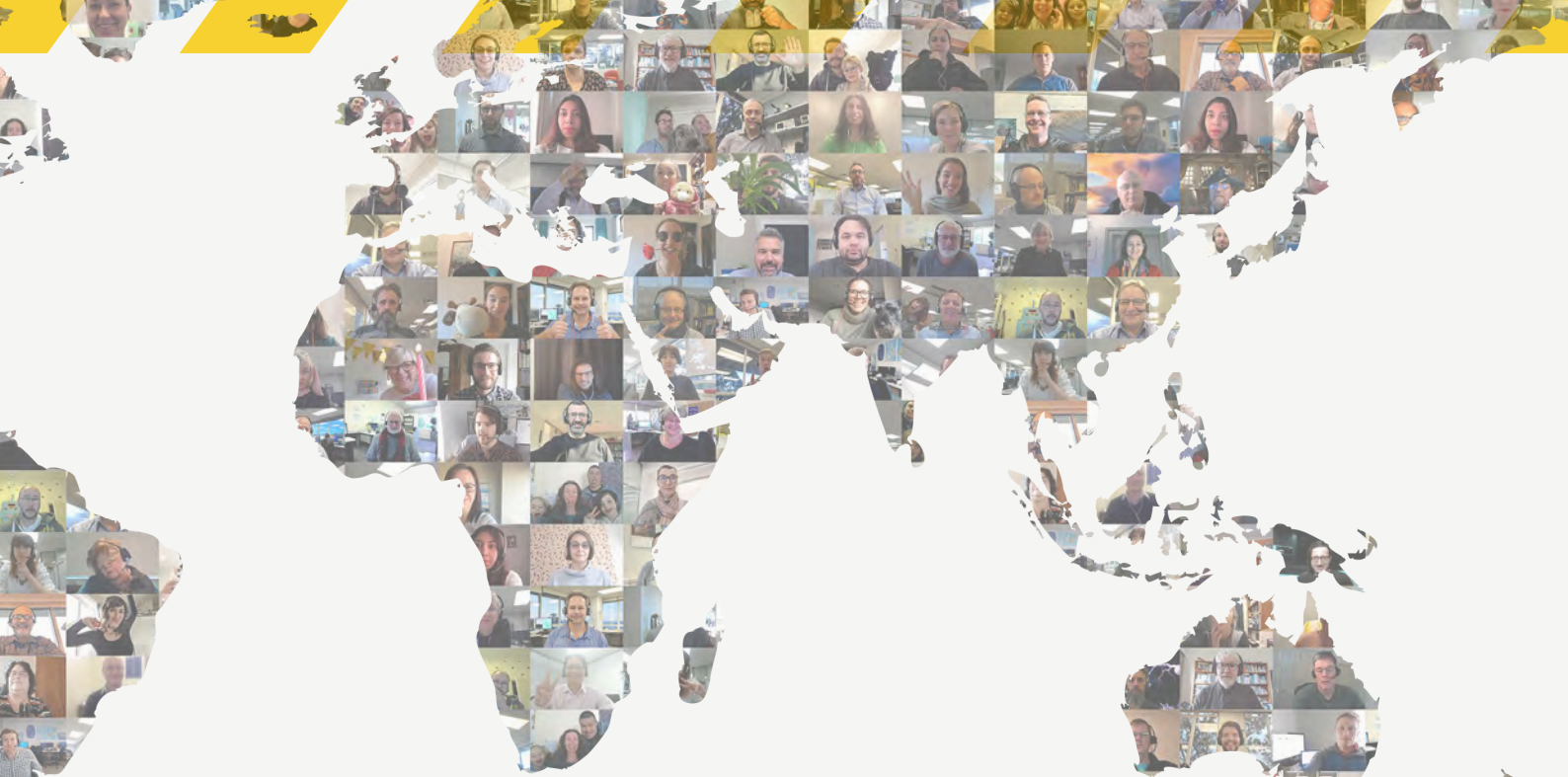
At Alert Levels 3 and 4, MetService provided the Government's COVID-19 Operations Command Centre with forecasts to help with planning. This included:

- Urban forecasts, extending three days, covering wind, rain, snow, maximum, minimum air temperature and wind chill.
- Six-day rainfall commentary, with a focus on New Zealand's road network.
- Two-week forecasts looking at weather anomalies across New Zealand.

Our Auckland-based consultants provided extra forecasts, including:

- A daily forecast for the Auckland Police Coastal Master, highlighting strong wind risks in the Hauraki Gulf, to support the high number of boaties on their vessels during lockdown.
- The Auckland Council's Lifelines group activated to 'Red Alert' level. This meant providing additional emphasis on keeping essential lifelines (power, water supply and roads) operating.





- Information Technology improvements to support remote staff, including managing large increases in remote data usage. Support was provided to increase efficiency on cloud-based channels, ensuring business could continue as usual.
- MetService re-forecast budgets and expenditure with immediate effect, to best manage the financial impacts of COVID-19.
- When Alert Level 4 commenced, all boating and surf forecast ratings were removed from [metservice.com](https://www.metservice.com) to discourage people from heading out on the water. These were reinstated at Alert Levels 2 and 3. All safety critical information remained available. All mountain and marine pages had warning banners directing users to the official COVID-19 website.
- Our Senior Leadership Team met daily to plan and implement the organisational response to COVID-19 at Alert Levels 3 and 4. This ensured there was no decrease in business-service levels and that employees felt supported during this time. Daily employee updates were provided, with stakeholder updates provided weekly.
- During Alert Level 4, MetService trialed a revised flexible working policy, MetFlex. The policy will come into effect on 1 July 2020, providing a framework to support our people to work more flexibly.

Assisting global repatriation

Our aviation team supported Air New Zealand and other international carriers to repatriate people to and from New Zealand as the global situation escalated. In many situations we assisted carriers that do not regularly fly to New Zealand.

Journey forecasts were sourced and loaded into weather management systems for each leg of these flights. Support was often needed at short notice, and regular engagement with similar global agencies was imperative.



Adapting to COVID-19

Our people during COVID-19

The provision of the most accurate weather data, and the distribution of this critical information to New Zealanders is key to ensuring we achieve our overarching purpose – to help people stay safe and make informed decisions based on the weather. We've asked some of our teams how COVID-19 impacted their operations, and the actions they took to ensure that purpose could still be met.



Tony Hawkins

Manager, Media Graphics Unit (MGU), Christchurch



Trevor Davie

Observing Network Support Manager, Paraparaumu

What does your team do?

Our team of six is based in Christchurch. We are responsible for producing regular graphical information for newspaper clients. This information includes daily weather information, television listings and share market summaries. Our entire operation is dependent on the use of multiple applications that interact with publishing tools and databases hosted by MetService.

How did your team adapt to the escalated COVID-19 alert levels?

The impact of Alert Level 4 meant a rethink of how we could operate. Our clients were designated as essential services, as was the provision of weather information to New Zealanders.

With the help of Wellington-based employees we trialed controlling our normal workstations remotely, which proved unsuccessful. After thorough testing it was determined the most effective way of working was through using external publishing tools rather than the desktop applications we typically use. This was a major change to the way we work.

To achieve this, we required one employee to be based in our office at Christchurch Airport, overseeing the preparation and processing of key data, which was shared to the rest of our team operating remotely. The employee based in the office then received and reviewed the completed work of their colleagues before providing it to our newspaper clients. As a team we operated in shifts, with never more than one employee in our office during Alert Level 4.

What was the impact to your customers?

The impact to our customers was minimal. Throughout the disruption, all MGU client deliverables were maintained to the same high standards.

What does your team do?

The Paraparaumu-based technical support team consists of 16 people responsible for the installation, maintenance, and repairs of New Zealand's 200+ v9, nine weather radar, lightning detection network and upper air network. These sources provide raw data for many products and services used by our meteorologists and commercial customers. We also support and maintain a growing network of weather infrastructure throughout the Pacific.

How did your team adapt to the escalated COVID-19 alert levels?

Travel is an important part of our daily work. While deemed an essential service, at Alert Level 4 the team worked from home, but continued to repair any faults associated with New Zealand's core infrastructure service support lines (airports, roads and ports). Travel proved challenging with very limited air travel and rental car availability. But services were maintained with road travel in the North Island, and by relocating a MetService vehicle to the South Island, so South Island services could be maintained by first flying into Christchurch.

Of note was work undertaken at Hokitika Airport which provided pilots with critical information allowing the airport to operate for medical emergencies. Our team also took helicopter flights to our Auckland radar to conduct repairs and then replace radar equipment. Remote assistance was provided to our Pacific Island neighbours.

To mitigate risk at Alert Level 3, the team was split into two groups, with a weekly rotation resulting in one team working from the Paraparaumu office each week under strict physical social distancing.

What was the impact to your customers?

Despite the challenges faced, we maintained our normal equipment uptime requirement throughout the period. Our New Zealand customers saw no reduction in service levels during this time.



Keeping you safe

Impactful weather

With a changing climate, being informed of incoming severe weather is increasingly important. MetService is New Zealand's only authorised provider of Severe Weather Warnings and Watches and during the last year we issued warnings for 56 separate weather events. Each event resulted in multiple warnings being issued. In May 2019, we adopted a new colour-coded warning system, introducing Red Warnings, reserved for the most serious land-based weather events.



First ever Red Warning

In early February, we issued our first Severe Weather Red Warning, during an extended rain event affecting Fiordland and Westland. The decision to issue a Red Warning was made in consultation with councils and local civil defence. More than one metre of rain was recorded at Milford Sound over a 60-hour period – roughly the annual rainfall of Wellington! The deluge damaged roads, cutting off access to the Milford Sound. As the front moved, heavy rain fell over Southland.

A State of Emergency was then declared for Fiordland and Southland, due to extensive flooding. The township of Gore was evacuated due to the threat from the Mataura River.



Thunderstorm

In mid-November, Canterbury was hit by two thunderstorm events. The first event involved hail with a brief tornado, lifting roofs and injuring two people. Two days later, a thunderstorm in Timaru resulted in golf ball sized hail. The Insurance Council of New Zealand stated the Timaru hailstorm was the second most costly weather event this century, with insurers paying over \$130 million in damages.



Flooding

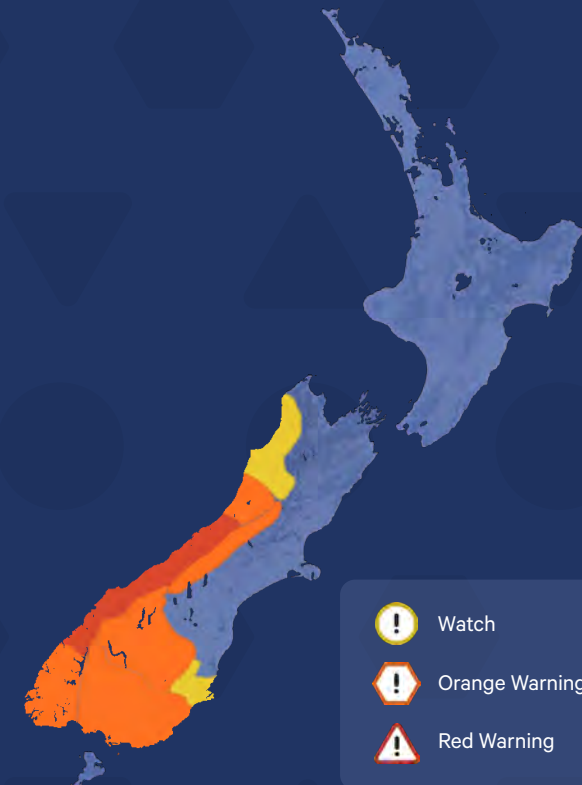
In early December, a rain band embedded with thunderstorms saw 1,150mm of rain recorded at Ivory Glacier in the Southern Alps. Rain spilt into the Rangitata River, and the river breached stopbanks producing severe flooding around Timaru. Meanwhile, two lines of thunderstorms affected Wellington and Wairarapa causing localised flooding. This event saw the closure of the State Highway network on both sides of the South Island and Wellington was cut-off for a time.



Record dry summer

This summer was the driest on record for Auckland and Hamilton, and the second driest on record for Whangārei and Tauranga. Severe soil moisture deficits were evident across Nelson, Marlborough and Canterbury by the end of summer.

Our consultant meteorologists advised local and regional councils on drought conditions, working with respective drought committees who were conferring with the Ministry for Primary Industries (MPI). By 12 March, the drought was reclassified by MPI as a large-scale adverse event. Drought conditions extended across the North Island, Tasman, Marlborough,



Kaikoura, North Canterbury, and the Chatham Islands. The last time a large-scale adverse event was declared was in 2013.

On 15 April, Watercare dams, which supply around 379 million litres of water to Auckland every day, dropped below 50 per cent for the first time in more than 25 years. A month later, Aucklanders faced water restrictions for both residential and commercial use. Our consultant meteorologists delivered forecasts and seasonal weather briefings to Watercare to provide vital insights for their operations.



Keeping you safe

Otago radar operable by spring



In July 2019, MetService secured a site for a weather radar in the Otago region.

The site, 25 kilometres northwest of Dunedin, provides excellent coverage of the city, the Taieri and Clutha River catchments, and coastal Otago from the Catlins up to the Waitaki River on the border with Canterbury.

Since the site agreement was confirmed, work has been underway on progressing the \$2.8 million dual-polarisation radar project to help improve forecasts and warnings for the southern part of the country.

Following building and resource consent and the construction and delivery of key components for the radar, the project was on track to be operable by May 2020. However, delays as a result of COVID-19 shifted the project completion date to spring 2020. Due to the location and altitude, groundwork is unable to take place in winter months.

The Otago radar will plug a significant gap in the current network of nine radar sites.

The weather radar network plays an essential role in the delivery of public-safety services. All New Zealand radar imagery is updated every seven and a half minutes on metservice.com and our app.

Safety in the great outdoors

'Check the weather forecast' is a fundamental piece of planning advice for those venturing into the great outdoors.

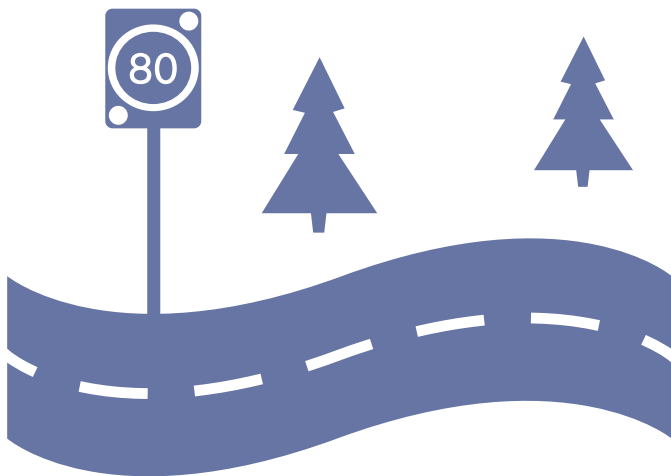
This year, MetService added another forecast to the suite of National Park forecasts it provides to the Department of Conservation (DOC), bringing the total to 10 forecasts.

In December, forecasts for Paparoa National Park were requested to coincide with the partial opening of the new Paparoa Track and for the yet-to-be completed Pike 29 Memorial Track.

Meteorologists focus their forecasts on wind speed and direction, precipitation amount, snow levels and wind chill specific to locations within the parks. Forecasts are issued daily before dawn and are monitored 24/7 and updated when new guidance is available.



Supporting road safety



In November 2019, the NZ Transport Agency (NZTA) selected MetService to be its preferred provider of weather information. MetService has worked with NZTA for more than a decade. Our forecasts and observations play a big part in road safety, helping New Zealand's state highway network operate efficiently.

We are committed to support NZTA to maximise safety and efficiency through innovation and new ideas. NZTA committed to a safety-centric proposal submitted by MetService. The project, known as Weather Activated Variable Speed Limit (WAVSL), has a focus on road safety conditions on SH29 over the Kaimai Range, south of the Coromandel Peninsular. This stretch of SH29 is the main route that connects Auckland and Tauranga.

The project, set to be completed in late 2020, will see new hardware added to both the western and eastern sides of the Kaimai Range, including additional weather stations, in-road sensors and visibility sensors.

Speeds on the road need to be variable based on weather conditions, which can vary on either side of the Kaimai Range. The WAVSL project will allow NZTA operators to use current weather data to set the best speed limit for traffic based on real-time weather conditions.

Should the project prove successful, it provides further opportunities for this type of work on other highway networks throughout New Zealand.

MetService operates over 50 Road Weather Stations across New Zealand for NZTA.

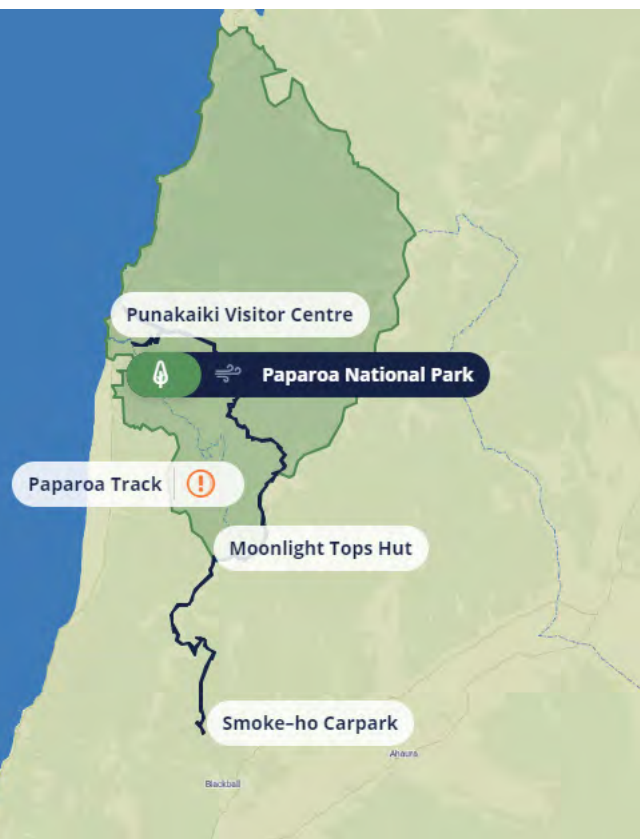
The National Park forecasts are distributed via dedicated pages on metservice.com and via specialised briefing packs emailed to the DOC Visitor Centres.

This year, we also worked with DOC to enhance its weather safety information for one of its most popular tracks – the Tongariro Alpine Crossing (TAC) which welcomes 150,000 visitors annually. The crossing has one of the highest number of rescues of any site in the country.

Together with DOC we designed a TAC bad weather advisory matrix based on thresholds for wind speed, wind chill,

and rainfall, that cause the most danger to trampers.

When thresholds are exceeded, DOC place physical signs on the track to alert trampers that weather conditions are not suitable for walking and the same advisory is displayed on metservice.com. This process would be used if DOC needed to inform the public when a rāhui (temporary closure or ban) was in place.



Keeping you connected

Kiwis provide valuable input for new [metservice.com](https://www.metservice.com)

This year marked an overhaul of [metservice.com](https://www.metservice.com), following extensive public and stakeholder feedback. After two years of development and over three months of user testing, the new website launched in November 2019.

The site more clearly communicates urgent severe weather information, delivering higher precision forecasts and more observational data.

New features include the addition of search functionality, interactive map displays, higher-resolution rain radar imagery at all radar locations and the ability for users to 'favourite' frequently used forecast pages so they are easily accessible.

The new responsive site means we no longer need to have multiple sites (desktop and mobile) operating. After launching the site, attention turned to support our audience to best use the new platform, while making changes based on user feedback. MetService responded to over 16,000 enquiries about the website.

Since launching the new site further improvements have been made, these include:

- Upgrades to the 48-hour observation and forecast graphs to show hourly data (from two-hourly).
- The addition of more weather forecast and observation pages, including new forecast pages for towns with multiple weather stations.
- Changes to the tablet layout, ensuring all devices get the most suitable experience.
- Changes to the boating and surf sections in response to user feedback, and the addition of national level surf and boating pages.
- Changes to the Tongariro Alpine Crossing and Paparoa National Park forecast in conjunction with the Department of Conservation.
- Improvements to how map and radar data is displayed for users with smaller screens.

A range of future site enhancements are in the pipeline, including the addition of more local observation data. The old site ran concurrently until June 2020 and was available for anyone having trouble adjusting to the new site or experiencing technical problems.

The amount of traffic visiting the old site steadily decreased to around 3% of total web traffic before being shut down. According to Nielsen's online rankings in 2019, [metservice.com](https://www.metservice.com) has about 300,000 unique daily browsers and more than one million daily page-views.



Supplying TVNZ with new-look weather

TVNZ launched a fresh new look for its weather service in December 2019. A standout feature is a MetService built capability which integrates weather visuals with Google Earth imagery.

The results are impressive, a realistic depiction of the weather over high-resolution Google maps and three-dimensional cityscapes. This feature allows TVNZ to show weather in closer detail and with greater on-screen impact.

After the Weatherscape team developed and added this capability earlier in 2019, TVNZ decided to make it the core of its planned new presentation. After in-house training, the new look weather service was unveiled.

MetService has been working with TVNZ for 25 years. We first worked together on a research and development project that eventually became the first version of Weatherscape. We are committed to working closely with TVNZ on further new Weatherscape enhancements.



MetConnect made more resilient

MetConnect is a subscription-based online weather service developed for our commercial customers. It is one of the major business-to-business platforms used by the organisation and provides users access to high-quality weather information to help inform daily business decisions.

Users of MetConnect are diverse, from infrastructure contractors, water providers, media outlets, ski fields, the New Zealand Police, to the All Blacks.

Work this year saw the successful migration of MetConnect onto a new operating environment, and to Postgres, a more stable database. To further enhance resilience, the MetConnect platform was moved, and is now hosted by the MetService Auckland data centre. Until this year, the last major development to MetConnect was made over seven years ago.

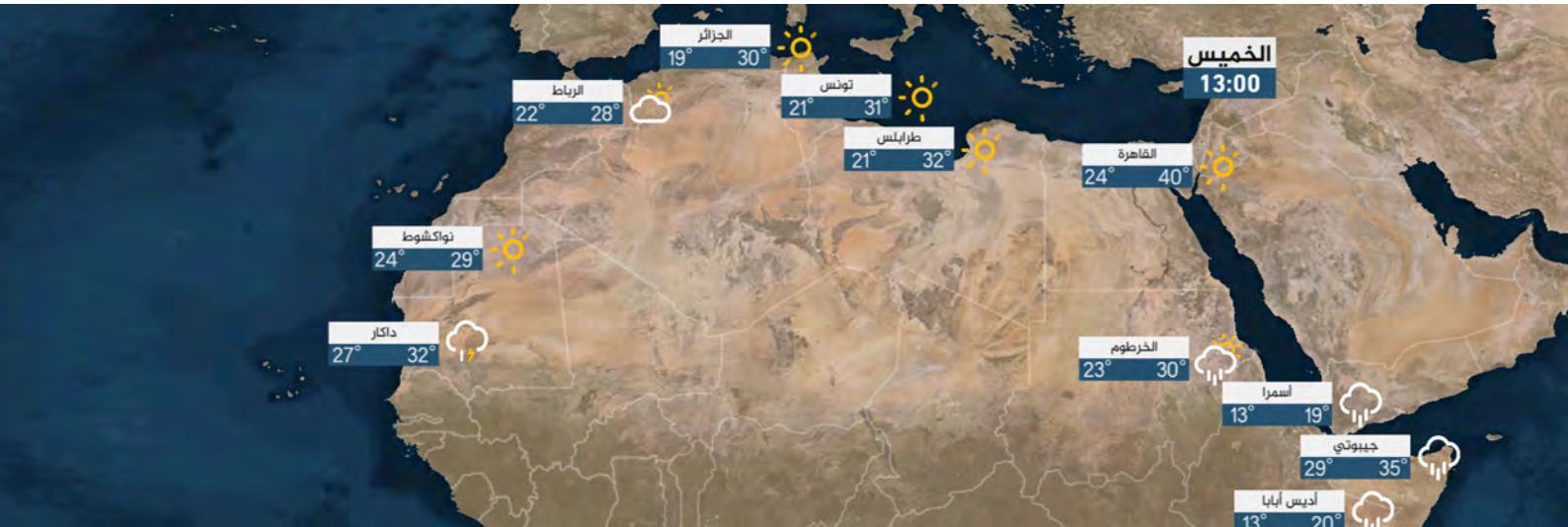
While on the face of it there is nothing new for customers to see, the work makes MetConnect a faster, more

secure platform, and future platform enhancements can be made more efficiently.

Planned changes to MetConnect will see the addition of more Automatic Weather Stations, the move to higher resolution cloud-based weather forecasting models, and the addition of watches and warnings data on this platform.



Generating wealth for Aotearoa



Weatherscape welcomes media giant

From January 2020, MetService began providing weather graphics to Al Jazeera Media Network for their estimated global audience of 566 million households.

The three-year contract provides the award-winning global news organisation with our innovative weather graphics system called Weatherscape XT, along with weather data for 3,000 cities worldwide.

Internationally we operate under the name MetraWeather and have had Weatherscape clients in the Middle East since 2011, but Al Jazeera is easily the largest broadcaster in this part of the world. The deal with Al Jazeera progressed rapidly after demonstrations made it evident how Weatherscape could enhance the network's weather broadcasts.

Our meteorologists and Weatherscape developers in Wellington then pulled together huge amounts of World Meteorological Organization certified global weather data to

customise Al Jazeera's weather shows to the channel's high standards. In this process, our teams learnt more about unique factors to forecasting in the Middle East, including the physics of dust and dust data sources.

Two of our system engineers then spent three weeks in Doha installing the hardware that operates Weatherscape, establishing the weather shows, and training the presenters and technicians on how to operate the system. Initially, Weatherscape XT was introduced on the Al Jazeera Arabic network, expanding to the Al Jazeera English network soon after.

Weatherscape XT is the system of choice for every major Australian broadcaster, and almost 30 broadcasters globally. Here at home, Weatherscape provides the graphics New Zealanders see on TVNZ's, Newshub's and Prime News' weather segments.



The weather and renewable energy

For many years MetService has provided service to energy generators and energy traders in New Zealand and Australia for the provision of renewable energy sources. In New Zealand approximately 83% of all energy sources are renewable.

Energy supply – hydro and wind

Electricity generation is closely tied to the weather. Energy generators need to balance their electricity generation from multiple sources, to do this they need to know how much energy is available from their sources.

Hydroelectric (hydro) generation has been part of New Zealand's energy system for over 100 years, and in 2019 provided almost 60% of New Zealand's electricity needs.

For hydro generation, rainfall catchment forecasts are a key product that enable energy generators to know how much rainfall, and storage, is at their disposal.

As snowmelt is a significant contributor to lake storage levels in spring, MetService introduced a run-off forecast in 2019 that incorporates snowmelt with the rainfall to forecast what run-off would be in a catchment area.

This combined forecast allows hydro energy generators to plan how much of their lake storage to release to energy generation. There are environmental impacts to consider too, including the need to sustain a minimum river flow. Along with the requirement to carefully manage the lake levels in high run-off events which may require a hydro release or 'spill'. Accurate catchment forecasts play a major part in helping reduce costs

and wastage in such events.

Wind generation made up 5% of New Zealand's electricity supply in 2019, but it is one of the fastest growing energy sectors. Three new large wind farms are planned in the next couple of years.

MetService provides wind power forecasts for wind farms across New Zealand and is providing support for new wind generation developments. Unlike hydro, wind energy cannot be stored, so accurate wind power forecasts are essential to allow wind energy generators to balance energy generation across other energy generating assets.

Energy demand

Aside from large-scale energy providers, MetService works with energy traders in New Zealand and Australia. Energy traders need to know how much electricity both their company and other energy suppliers can produce.

Our products support traders to forecast electricity market prices based on the amount of available electricity through hydro and wind generation in New Zealand, and hydro, wind and solar

generation in Australia. We do this by providing accurate temperature data and forecasts across the country to help traders determine electricity demand.

In the last financial year, MetService has seen growth in contract services from both energy providers and energy traders to support the provision of renewable energy sources in New Zealand and Australia.



Supporting our environment



The Moana Project officially launched on 30 July 2019 at iwi partner Whakatōhea's Omarumutu Marae in Ōpōtiki, Eastern Bay of Plenty. Whakatōhea and MetService then welcomed all involved in the project for the inaugural annual two-day Science Hui, also held in Ōpōtiki

Revolutionising New Zealand's ocean knowledge

New Zealand's leading marine scientists involved in the \$11.5 million Moana Project, spearheaded by MetOcean Solutions, are making great progress in the five-year research project to revolutionise our understanding of New Zealand's oceans and our ability to forecast its behaviour. In less than two years since being awarded the funding through MBIE's Endeavour Fund, the Moana Project has delivered some great results.

A team of 60 is bringing together cutting-edge science and technology, historical and new data, and mātauranga Māori to fill major gaps in our ocean knowledge. These vital insights will enable New Zealand to be better prepared for the changes in our oceans and the impact of warming seas on our coastline and marine environment. It enables our role as kaitiaki to help ensure the sustainability of our kaimoana, and the livelihoods generated through the blue economy which generates \$4 billion each year.

Progress to date includes:

- Learning from iwi about oceanographic knowledge honed over centuries of ocean voyaging, kaimoana gathering and the observed changes to our oceans. This project combines mātauranga Māori and science to enhance future marine management. Eastern Bay of Plenty iwi Whakatōhea is a partner in the Moana Project, and its coastal rohe (area) and aquaculture mussel farm are a case study throughout the project.
- Developing a high-tech, low-cost, smart ocean temperature sensor to capture sub-surface temperature data. A small-scale trial has been completed with encouraging results. Following a larger trial over a broader area, they will be deployed throughout New Zealand's exclusive economic zone with support from the commercial fishing sector.
- The development of computer algorithms to model New Zealand's ocean dynamics such as circulation, currents and sub-surface temperatures. Historical ocean data has been gathered to improve our nationwide model through a 25-year hindcast. This valuable dataset is freely available to researchers, and the broader community.
- Conducting research to better understand our kaimoana by uniquely bringing together microchemistry, genetics and biophysical models. Work is underway showing the effects of the Kaikoura earthquake on pāua populations, and genetic and microchemistry analysis on mussel samples in the Bay of Plenty. On a national scale, the genetic connectivity (migration of individuals and exchange of their genetic material) data of pāua, crayfish and mussels are being investigated alongside oceanographic models.



Australian coastal hazard partnerships

In July 2019, MetOcean Solutions partnered with Australia's national science research agency CSIRO, to undertake a coastal hazard assessment for Port Phillip Bay in Victoria.

The project, funded by the Victorian Government, aims to assess the environmental effects of climate change along the Port Phillip Bay coastline, to help land managers understand future hazards they may face.

The project involved performing data analysis and numerical modelling of climate change scenarios. MetOcean

developed a state-of-the-art model for the region, combining high-resolution hydrodynamic and wave model capabilities. The model can be used to perform multi-year simulations under various sea-level rise scenarios for historical and future climate conditions.

The model is key to providing a detailed representation of complex nearshore sea floor features and engineering structures, such as breakwaters and ports. Enabling better understanding of behaviour of nearshore and coastal waters is critical to support planning for potential hazards as our oceans change.

The project is now one year in, and our model outputs contributed to create the hazard assessments. These feed into comprehensive hazard maps for Port Phillip Bay, defining the extent of land expected to be threatened by inundation, erosion and groundwater change.



Subantarctic Islands remediation work

This year saw major remediation work undertaken on the two most far-flung locations that MetService maintains in New Zealand waters.

In mid-March, MetService staff travelled south from Bluff aboard HMNZS Canterbury to the Auckland and Campbell Islands. After a short stopover at the Auckland Islands, the ship continued to Campbell Island (Motu Ihupuku), located 650 kilometres south of the country. The Campbell Island weather station previously operated with employees of 10 from 1957 until closing in 1995, when the manual weather

observation programme was replaced by an Automatic Weather Station.

During the week-long stay at Campbell Island, an upgrade to the Automatic Weather Station was completed and material was removed from the old meteorological station there. The trip was the second to Campbell Island in this financial year and completes a major remediation project.

A week later, employees again utilised HMNZS Canterbury to travel 1000 kilometres northeast of New Zealand to Raoul Island, where we operate our

northern most weather station. The plan to undertake further infrastructure work at the station was paused as the COVID-19 pandemic forced the suspension of the upper air sounding programme using weather balloons. We plan to return to Raoul Island in November 2020 to recommence the upper air programme.

Work on both islands is undertaken in partnership with key partners the Department of Conservation and the Royal New Zealand Navy. Visiting either location is a ten-day round-trip, with at least six days at sea.



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.



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.



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.



Dr Wendy Lawson

Dr Wendy Lawson is a scientist, with her own research speciality 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.



Margaret Devlin, Chair, People, Culture and Remuneration Committee

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. At the beginning of the 2020/21 financial year, Margaret Devlin resigned as a director.



Roanne Parker

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.



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.



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.



Governance overview

The directors are pleased to present an overview of MetService Group's main governance practices.

Shareholders

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

Each Minister is responsible to the House of Representatives for the performance of the functions delegated to them under the SOE Act. In turn, the MetService Board is responsible to the Shareholding Ministers for ensuring effective corporate governance across the MetService Group. The Ministers' expectations are stated in the Owner's Expectations Manual (published on Treasury's website), and in the letter of expectations sent to 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 2020, the Board comprised eight 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 2019/20 financial year, include the appointment of Dave Moskovitz as a director on 17 March 2020, the retirement of Anthony Howard as Chair and director on 30 April 2020, the appointment of Sophie Haslem as Chair from 1 May 2020 and the appointment of Tupara Morrison as Deputy Chair from 1 May 2020. At the beginning of the 2020/21 financial year, Margaret Devlin resigned as a director.

The Board's role

The Board is responsible to the Shareholding Ministers for directing and monitoring the management and affairs of the MetService Group. The MetService Group is comprised of Meteorological Service of New Zealand Ltd, 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 2019/20)
Anthony Howard*	8/10
Brent Armstrong	12/12
Margaret Devlin***	9/12
Stephen Eaton	11/12



Board member	Board meeting attendance (Total meetings were held for FY 2019/20)
Wendy Lawson	12/12
Sophie Haslem	11/12
Tupara Morrison	11/12
Roanne Parker	12/12
Dave Moskovitz**	3/3

* Resigned on 30 April 2020

** Appointed on 17 March 2020

*** Partial attendance for the meeting held on 20 November 2019.

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. 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 was chaired by Sophie Haslem until April 2020. Following changes to the Board composition, Tupara Morrison was appointed as Chair of the Audit and Risk Assurance Committee with effect from May 2020. The Audit and Risk Assurance Committee comprises four 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 management, accounting and financial reporting responsibilities, including:

- assisting the Board to meet its accounting and reporting responsibilities under the Companies Act 1993, Financial Reporting Act 2013, and related legislation
- overseeing and reviewing the quality of external audits
- ensuring the integrity of internal financial reporting
- ensuring the company has the framework and methodologies in place that will ensure all strategic and business risks are thoroughly managed
- advising the Board in relation to governance, performance and strategic activity.

People, Culture and Remuneration Committee

The People, Culture and Remuneration Committee was chaired by Margaret Devlin and comprised three directors. Following changes to the Board composition, Tupara Morrison ceased to be a member of the People, Culture and Remuneration Committee with effect from May 2020 and Dave Moskovitz was appointed to the People, Culture and Remuneration Committee from May 2020. 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 and the Senior Leadership Team
- monitoring succession planning and reviews of the Chief Executive and Senior Leadership Team
- overseeing the appointment, performance and remuneration of the Chief Executive.

Health 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.

Visits to MetService worksites across New Zealand have been undertaken this year so that each director becomes personally aware of the nature of MetService's operations and generally of the hazards and risks associated with those operations. The Board's Health 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

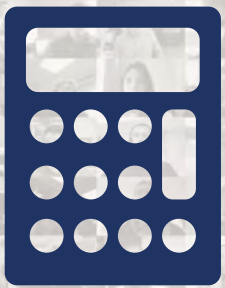
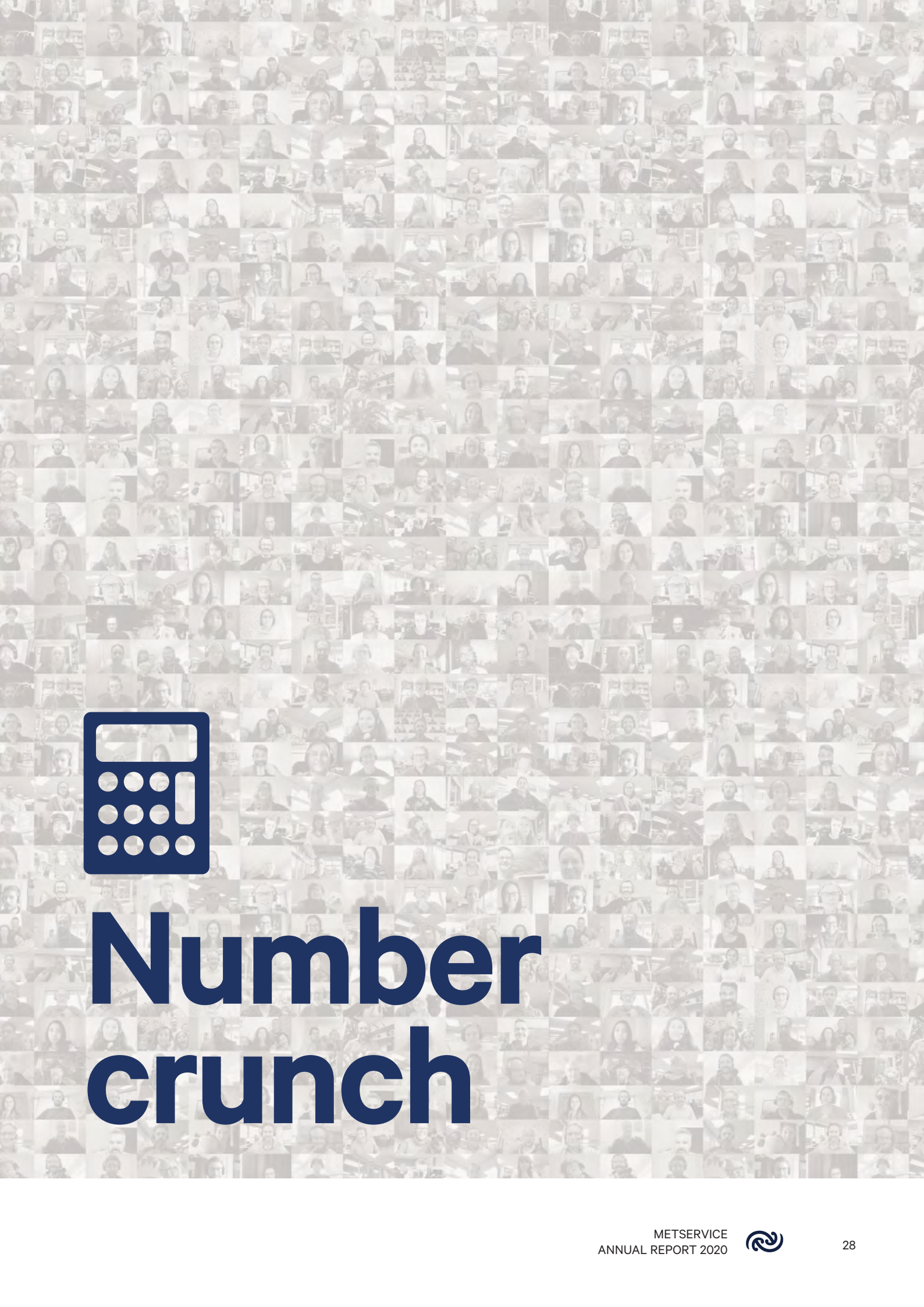
The Companies Act 1993, MetService's Constitution and Board Charter and the Owner's Expectations Manual deal with the disclosure of interests by directors, and with participation and voting at Board meetings where any such interests are relevant.

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 58–60 of this report.

Governance best practice

The Board has confirmed that its corporate governance policies, practices and procedures are in accord with the Financial Markets Authority's Corporate Governance – 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 2020

	Note	Group 2020 \$000s	Group 2019 \$000s
Total Revenue and Other Income	3	60,312	61,116
Operating Expenses			
Collaboration / Subcontractor Costs		2,799	1,667
Employee Benefits Expense	4	29,474	28,072
Communication Costs		694	694
Data Acquisition Costs	5	3,232	3,378
IT Costs	5	3,840	3,867
Data Transformation Costs	5	3,331	3,500
Marketing Costs		537	416
Occupancy Costs		850	574
Operating Lease Expenses		-	770
Office Expenses		372	366
Professional Expenses	5	1,059	1,044
Other Costs	5	2,455	2,598
Depreciation and Amortisation Expense	2,17,18,21	9,242	9,368
Total Operating Expenses		57,885	56,314
Operating Profit		2,427	4,802
Financial Costs	7	579	510
Profit Before Taxation		1,848	4,292
Taxation	6	488	1,737
Net Profit Attributable to Equity Holders		1,360	2,555
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Movement in Foreign Currency Translation Reserve		23	(70)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		1,383	2,485

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



Statement of Financial Position as at 30 June 2020

	Note	Group 2020 \$000s	Group 2019 \$000s
Equity			
Issued Capital	8	5,000	5,000
Foreign Currency Translation Reserve		(554)	(577)
Retained Earnings		19,002	17,915
Total Equity		23,448	22,338
Liabilities			
Trade and Other Payables	9	5,798	5,501
Financial Liabilities	23	8	-
Income Taxation Payable		-	644
Lease Liability	2,21	448	-
Employee Benefits	11	2,218	1,759
Total Current Liabilities		8,472	7,904
Deferred Taxation (New Zealand)	6	293	834
Provisions	12	560	573
Lease Liability	2,21	2,597	-
Employee Benefits	11	71	75
Borrowings	13	13,000	14,000
Total Non Current Liabilities		16,521	15,482
TOTAL LIABILITIES AND EQUITY		48,441	45,724
Assets			
Cash and Cash Equivalents	22	9,171	7,081
Trade and Other Receivables	10	5,047	6,392
Income Taxation Receivables		183	-
Inventories	14	508	342
Total Current Assets		14,909	13,815
Trade and Other Receivables	10	268	369
Deferred Taxation (United Kingdom)	6	112	134
Property, Plant and Equipment	17	14,317	13,756
Intangible Assets	18	15,989	17,650
Right-of-Use Asset	2,21	2,846	-
Total Non Current Assets		33,532	31,909
TOTAL ASSETS		48,441	45,724

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 25 August 2020.



S Haslem
Director



T Morrison
Director



Statement of Changes in Equity for the year ended 30 June 2020

GROUP 2020	Note	Attributable to Owners			Total \$000s
		Fully Paid Ordinary Shares \$000s	Retained Earnings \$000s	Foreign Currency Translation Reserve \$000s	
Equity as at 1 July 2019		5,000	17,915	(577)	22,338
NZ IFRS 16 Leases Transition	2,6,21	-	(273)	-	(273)
Restated Total Equity as at 1 July 2019		5,000	17,642	(577)	22,065
Comprehensive Income					
Net Profit		-	1,360	-	1,360
Currency Translation Differences		-	-	23	23
Total Comprehensive Income		-	1,360	23	1,383
Transactions with Owners					
Dividends Relating to 2020	19	-	-	-	-
Total Transactions with Owners		-	-	-	-
EQUITY AS AT 30 JUNE 2020		5,000	19,002	(554)	23,448
GROUP 2019					
Equity as at 1 July 2018		5,000	16,568	(507)	21,061
Comprehensive Income					
Net Profit		-	2,555	-	2,555
Currency Translation Differences		-	-	(70)	(70)
Total Comprehensive Income		-	2,555	(70)	2,485
Transactions with Owners					
Dividends Relating to 2019	19	-	(1,208)	-	(1,208)
Total Transactions with Owners		-	(1,208)	-	(1,208)
EQUITY AS AT 30 JUNE 2019		5,000	17,915	(577)	22,338

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



Statement of Cash Flows for the year ended 30 June 2020

	Note	Group 2020 \$000s	Group 2019 \$000s
Cash Flow from Operating Activities			
Cash was Provided from:			
Receipts from Customers		62,272	61,891
Interest Received		59	72
Cash was Applied to:			
Payments to Suppliers and Employees		(48,811)	(47,587)
Interest Paid		(638)	(582)
Income Taxation Paid		(1,600)	(1,982)
Net Cash Generated by Operating Activities	20	11,282	11,812
Cash Flow from Investing Activities			
Cash was Provided from:			
Proceeds from Disposal of Property, Plant and Equipment and Intangibles		3	8
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangibles		(3,555)	(2,584)
Labour Capitalisation (Assets)	4	(4,210)	(4,367)
Net Cash Used by Investing Activities		(7,762)	(6,943)
Cash Flow from Financing Activities			
Cash was Applied to:			
Repayment of Borrowings	13	(1,000)	(1,000)
Lease Liability - Principal Payments	2,21	(430)	-
Dividends		-	(1,208)
Net Cash Generated by Financing Activities		(1,430)	(2,208)
Net Increase in Cash and Cash Equivalents		2,090	2,661
Add Cash and Cash Equivalents at the Beginning of the Year		7,081	4,420
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	9,171	7,081

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 2020

1. GENERAL INFORMATION

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Limited and its subsidiaries ('Group'). These financial statements were authorised for issue by the Board of Directors on 25 August 2020.

Meteorological Service of New Zealand Limited ('Parent') is a for-profit entity incorporated and domiciled in New Zealand. The address of its registered office is 30 Salamanca Road, Wellington. Its primary service is to provide weather and presentation services to customers around the globe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013, and the State-Owned Enterprises Act 1986.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and defined benefit pension plans measured at fair value.

Standards adopted for the first time

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

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

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

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

Lease-related expenses in the Statement of Profit or Loss and Other Comprehensive Income will be front loaded to the earlier years of the lease terms where the interest-bearing liabilities are higher. The new accounting policies are set out on page 36.

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

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

None.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2020. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All transactions between Group companies are eliminated on consolidation.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are



expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Revenue

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

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

Sales are made with a standard term of 30 days.

For each contract portfolio the five-step method was applied to assess the impact on revenue recognition. The following accounting policies have been adopted:

Forecasting data and licence

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

Timing of recognition – Over time

Interactive

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

Timing of recognition – Over time

One-off hardware sales

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

Timing of recognition – Point in time

Grants and consultancy projects

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

Timing of recognition – Over time

Interest income

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

Dividend income

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction

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

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

Government grants

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

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

Inventories

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

Property, plant and equipment

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

The costs of assets constructed by the Group include the costs of all materials used in construction and direct labour on the project. Costs are not capitalised until available for use.

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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

Depreciation

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

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

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

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

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

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

	\$000
Depreciation on Kelburn Assets prior to review	229
Accelerated depreciation recognised in the current period	60
Depreciation on Kelburn Assets after review	289
The expected impact in future periods is summarised below:	\$000
Accelerated depreciation to be recognised within 1 year	192
Accelerated depreciation to be recognised between 1 and 5 years	292
Accelerated depreciation to be recognised after 5 years	67

Intangible assets

Goodwill

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

the acquired investment at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units (CGU) or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

Internally-generated intangible assets - computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- 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 IAS 17 (2019 Policy)

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

Leases NZ IFRS 16 (2020 Policy)

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.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

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

Wages and salaries and annual leave

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

Termination leave

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

Tax

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

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be

utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of MetraWeather (Australia) Pty Limited and MetraWeather (Thailand) Limited is New Zealand dollars and the functional currency of MetraWeather (UK) Limited is British pounds. These financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

Transactions and balances

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

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



Gains or losses due to currency fluctuations, both realised and unrealised, are recognised as profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Group companies

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

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position.
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

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

Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, trade and other receivables, trade and other payables, borrowings, employee entitlements and forward contracts.

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

Financial assets

Trade and other receivables and cash and cash equivalents are initially measured at fair value plus transaction costs.

Subsequently they are measured at amortised cost, including any expected credit loss allowance provisions. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

Impairment of financial assets

Collectability of trade receivables is reviewed on an ongoing basis and uncollectable debt is written off. A provision for impairment losses is recognised where there is objective

evidence that the Group may not be able to collect some or all amounts due according to the original terms.

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

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

Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

Statement of Cash Flows

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

Operating activities: are the principal revenue-producing activities of the Group, including interest received and paid and other activities that are not investing or financing activities.

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

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

Goods and Services Tax

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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

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

Impairment of tangible and intangible assets excluding goodwill

At each balance date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

Share capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Note 12: Provisions

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

COVID-19 Pandemic

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

Following Alert Level 4, the Group has experienced a loss in demand from both aviation and advertising customers.

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

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

Note 10: Trade and Other Receivables

Note 18: Intangible Assets

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



3. REVENUE

	Group 2020 \$000s	Group 2019 \$000s
Contracts with Customers – revenue recognised over time	58,313	56,689
Contracts with Customers – revenue recognised at a point in time	1,835	4,295
Other	164	132
TOTAL REVENUE	60,312	61,116

4. EMPLOYEE BENEFITS EXPENSE

	Group 2020 \$000s	Group 2019 \$000s
Wages and Salaries	31,567	30,088
Termination Benefits	6	6
Severance Payments	24	48
Kiwisaver / Superannuation Contributions	686	662
Labour Capitalised	(4,210)	(4,367)
Contractors/Temporary Staff	671	1,053
Other Employee Benefits	730	582
TOTAL EMPLOYEE BENEFITS	29,474	28,072

5. OPERATING EXPENDITURE

	Group 2020 \$000s	Group 2019 \$000s
Profit for the year has been arrived after charging/(crediting)		
Audit Fees of Financial Statements paid to PwC	153	158
Audit Fees Related to Audit of Subsidiary MetraWeather (UK) Ltd paid to Crowe Clark Whitehall (CCW)	24	22
Audit Fees Related to MetraWeather (Thailand) Ltd paid to Khun Natakorn	2	2
Directors' Fees	218	217
Fees Paid to CCW (UK) for Business Services	15	13
Foreign Exchange (Gains)	(22)	(122)
Impairment of Intangible Assets	80	318
Increase in Allowance for Impairment of Trade Receivables	82	34
Insurance	676	619
Loss on Disposal of Property, Plant and Equipment	20	2
Research Expenditure	318	735
Travel & Accommodation	684	961

From 1 July 2019, the Group has reassessed costs associated with the purchase of data to a new category called 'data transformation'. The costs were previously reported as part of 'data acquisitions' (2019: \$2.2 million), 'IT costs' (2019: \$1.1 million) and 'other professional' (2019: \$0.2 million). The change in reclassification is to provide more visibility on spend associated with this type of expenditure to enable a better understanding of where costs can be minimised. Comparatives have been restated.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

6. TAXATION	Group 2020 \$000s	Group 2019 \$000s
Profit Before Taxation	1,848	4,292
Prima Facie Taxation Thereon at 28%	517	1,202
Non-Deductible Legal Fees	3	13
Non-Deductible Expenditure	11	21
Prior Period Adjustment	(16)	315
Effect of Different Tax Rates in Other Jurisdictions	(5)	(4)
Reinstatement of tax depreciation on buildings	(73)	–
Write off tax balances – MetraWeather Thailand Limited	5	147
Other	46	43
TAXATION EXPENSE	488	1,737
Current Taxation	1,009	1,824
Prior Period Adjustment – Current Taxation	(96)	216
Deferred Taxation	(504)	(402)
Prior Period Adjustment – Deferred Taxation	79	99
TAXATION EXPENSE	488	1,737
Deferred Tax		
Deferred tax (liabilities)/assets arise from the following:		
TEMPORARY DIFFERENCES		
Property, Plant and Equipment	(559)	(807)
Intangible Assets	(468)	(662)
Net deferred tax liability	(1,027)	(1,469)
Deferred tax assets arise from the following:		
NZ IFRS 16 adjustment	90	–
Provisions and Other Liabilities	644	635
MetraWeather (UK) losses carried forward	112	134
Deferred tax asset	846	769
Deferred Taxation		
Opening Balance	(700)	(1,003)
On Profit for the Year	504	402
Prior Period Adjustment	(79)	(99)
Amount recognised in equity	94	–
CLOSING BALANCE	(181)	(700)
IMPUTATION CREDITS FOR USE	9,984	8,980

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

The deferred tax balance is comprised of a \$293,000 liability related to New Zealand business activities and a \$112,000 asset related to the United Kingdom operations. These were incorrectly shown net on the Statement of Financial Position in 2019 however have now been shown gross. The current tax balance is comprised of a \$162,000 asset related to the New Zealand business operations and \$22,000 asset related to International business activities.

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.

A New Zealand corporate tax rate of 28% applies in both the 2020 and 2019 income tax years.



7. FINANCE COSTS – NET	Group 2020 \$000s	Group 2019 \$000s
Interest Revenue		
Bank Deposits	66	57
Other	–	15
Total Finance Income	66	72
Interest on Bank Overdrafts and Loans		
Interest on Bank Overdrafts and Loans	512	582
Interest Expense - Lease Liability	126	–
Use of Money Interest	7	–
Total Finance Costs	645	582
FINANCE COSTS – NET	579	510

8. ISSUED CAPITAL	Group 2020 \$000s	Group 2019 \$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 2020 \$000s	Group 2019 \$000s
Trade Payables	1,975	1,597
Other Payables	291	835
Accruals	1,376	1,302
Contract Liability Income in Advance	2,156	1,767
TOTAL TRADE AND OTHER PAYABLES	5,798	5,501

10. TRADE AND OTHER RECEIVABLES	Group 2020 \$000s	Group 2019 \$000s
Trade Receivables – Contracts with Customers	3,196	4,045
Allowance for Impairment	(147)	(64)
	3,049	3,981
Prepayments – current		
Prepayments – current	1,407	1,517
Sundry Debtors – current	591	894
TOTAL TRADE AND OTHER RECEIVABLES – CURRENT	5,047	6,392
Prepayments – non current		
Prepayments – non current	268	369
TOTAL TRADE AND OTHER RECEIVABLES – NON CURRENT	268	369

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.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's trade receivable balance are debtors with a carrying amount of \$336,465 (2019: \$433,548) 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 2020 \$000s	Group 2019 \$000s
Ageing Past Due Trade Receivables (Not Impaired)		
30–60 days	185	188
60–90 days	20	36
Above 90 days	131	210
TOTAL	336	434

Movement in the Allowance for Impairment

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

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

Current	30-60days	60-90days	>90days
2.02%	2.17%	2.19%	2.26%

Using an expected credit loss of 2%, the Group have recognised an additional provision of \$54,330 (2019: nil).

Included in the allowance for impairment are individually impaired trade receivables with a balance of \$86,505 (2019: \$64,490) for the Group, relating to receivables from entities which have been considered doubtful.

	Group 2020 \$000s	Group 2019 \$000s
11. EMPLOYEE BENEFITS		
Annual Leave Entitlement	2,218	1,759
Termination Leave	71	75
TOTAL EMPLOYEE BENEFITS	2,289	1,834

Termination Leave

Opening Balance as at 1 July	75	81
Reductions Arising from Payments/ Other Sacrifices of Future Economic Benefits	(4)	(6)
CLOSING BALANCE AS AT 30 JUNE	71	75

Termination Leave – Current	–	–
Termination Leave – Non Current	71	75
CLOSING BALANCE AS AT 30 JUNE	71	75



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.

12. PROVISIONS	Group 2020 \$000s	Group 2019 \$000s
Non Current		
Restoration Provision	560	573
TOTAL NON CURRENT PROVISIONS	560	573
Restoration Provision		
Opening Balance as at 1 July	573	575
Additions	20	–
Increase in Provision	154	(8)
Effects of Changes in Discount Rates	30	26
Annual Usage	(217)	(20)
CLOSING BALANCE AS AT 30 JUNE	560	573

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. During the year, work was completed on Campbell Island to safely remove asbestos and diesel tanks. The Parent has used the ten-year government bond rate of 0.86% (2019: 1.73%) as the discount rate and assumed a 2.5% (2019: 1.1%) 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 2020: \$342,558 (2019: \$337,752).

Commerce Commission Investigation

MetService is engaging constructively with the Commerce Commission with respect to its investigation under sections 27 and 36 of the Commerce Act 1986 in relation to the pricing and terms that competitors can access data from MetService. The outcome and any financial implications associated with the outcome are unknown and the investigation is ongoing.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

13. BORROWINGS	Group 2020 \$000s	Group 2019 \$000s
Secured		
Non Current		
Bank Loan	13,000	14,000
TOTAL BORROWINGS	13,000	14,000

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 90 basis points as at 30 June 2020. There is a line-of-credit charge of 0.035% per month on the commitment during that month. The facility expired on 30 June 2020 and was subsequently renewed on the 27 July 2020 however the funds remained available to be drawn during this time.

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 1 July 2020 and 22 April 2022. The bank loans will mature on 30 June 2022. The average interest rate for the loans as at 30 June 2020 is 3.93% (2019: 4.15%).

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 2020, all banking covenants had been complied with throughout the period.

Net Debt Reconciliation

Borrowings at 30 June 2020 were \$13 million, down \$1 million from 30 June 2019 due to loan repayments.

14. INVENTORIES	Group 2020 \$000s	Group 2019 \$000s
Meteorological Consumables	508	342
TOTAL INVENTORIES	508	342

The cost of inventories recognised as an expense during the year was \$511,412 (2019: \$439,410).
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 2020 are as follows:

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

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



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 Executive Team.

	Group 2020 \$000s	Group 2019 \$000s
Total Executive Team (excluding CEO)	1,951	1,970
Performance Pay Paid Relating to Prior Year	351	251
Kiwisaver / Superannuation Contributions	61	58
Directors' Remuneration	218	217
	2,581	2,496

Compensation of the Chief Executive Officer

Total Chief Executive Officer (CEO)*	429	430
Performance Pay Paid Relating to Prior Year	128	135
Kiwisaver / Superannuation Contributions	17	17
	574	582

* In May 2020 the CEO volunteered to receive a 10% reduction in remuneration until July 2020, on the same terms as set out by the Prime Minister as part of our COVID-19 response.

Other Related Parties

The Group acquired marketing services from Calibrate Marketing Limited on normal commercial terms, to the value of \$12,708 (2019: \$11,730). 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 pay \$57,000 (2019: \$57,000) for the provision of hosting and support services for an application maintained by the entity. The Group have also invoiced \$13,700 (2019: \$12,100) 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 shares are held equally by the Minister for State Owned Enterprises and the Minister of Finance on behalf of the Crown. The Crown does not guarantee the liabilities of Meteorological Service of New Zealand Limited.

Transactions with other government agencies (for example, government departments, local councils and state-owned enterprises) are not disclosed as related party transactions as they are consistent with the normal operating arrangements between government agencies and are undertaken on the normal terms and conditions for such transactions.

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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

17. PROPERTY, PLANT & EQUIPMENT

GROUP 2020	Land & Buildings \$000s	Meteorological Equipment & Plant \$000s	ICT Equipment, Vehicles & Furniture \$000s	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	(478)	(185)	(734)	–	(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

GROUP 2019	Land & Buildings \$000s	Meteorological Equipment & Plant \$000s	ICT Equipment, Vehicles & Furniture \$000s	Work In Progress \$000s	Total \$000s
Cost	10,173	24,480	8,521	544	43,718
Accumulated Depreciation and Impairment	(6,863)	(15,558)	(7,541)	–	(29,962)
CARRYING AMOUNT	3,310	8,922	980	544	13,756
Opening Carrying Amount 1 July	3,504	9,747	1,037	261	14,549
Additions at Cost	50	217	465	818	1,550
Disposals	–	(449)	(339)	–	(788)
Asset Transfers	–	–	–	(12)	(12)
Depreciation	(532)	(1,256)	(534)	–	(2,322)
Accumulated Depreciation Recovered	–	449	330	–	779
Work In Progress Movement	288	214	21	(523)	–
NET BOOK VALUE AS AT 30 JUNE	3,310	8,922	980	544	13,756

Kelburn Building Seismic Review

During the year, management commissioned a seismic assessment of the Kelburn facility to assess the building against the latest building code standards which were updated in 2017. The assessed seismic capacity is in the earthquake risk category. Based on this assessment there is no legal requirement for seismic strengthening to take place. However, management are considering the information provided as part of a wider refurbishment plan being drafted for the financial year 2020/21.



18. INTANGIBLE ASSETS

GROUP 2020	Goodwill	Software	Customer Base	Capital Work In Progress	Total \$000
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	–	(1,775)	–	–	(1,775)
Asset Impairment 2019	–	318	–	–	318
Asset Impairment 2020	–	(80)	–	–	(80)
Amortisation Expense	–	(6,570)	–	–	(6,570)
Accumulated Amortisation Recovered	–	1,524	–	–	1,524
Work in Progress Movement	–	5,991	–	(5,991)	–
NET BOOK VALUE AS AT 30 JUNE	3,025	10,313	–	2,651	15,989

GROUP 2019	Goodwill	Software	Customer Base	Capital Work In Progress	Total
Cost	3,025	51,676	412	3,735	58,848
Accumulated Amortisation	–	(40,786)	(412)	–	(41,198)
CARRYING AMOUNT	3,025	10,890	–	3,735	17,650
Opening Carrying Amount 1 July	3,025	12,243	–	4,333	19,601
Additions at Cost	–	70	–	5,276	5,346
Disposals	–	(1,563)	–	–	(1,563)
Asset Impairment 2018	–	206	–	–	206
Asset Impairment 2019	–	(318)	–	–	(318)
Amortisation Expense	–	(7,046)	–	–	(7,046)
Accumulated Amortisation Recovered	–	1,412	–	–	1,412
Asset Transfers	–	–	–	12	12
Work in Progress Movement	–	5,886	–	(5,886)	–
NET BOOK VALUE AS AT 30 JUNE	3,025	10,890	–	3,735	17,650

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 (2019: \$103) and Network Engineer's rate is \$72 per hour (2019: \$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 was updated to use forecast cash flows to 2022, incorporating the impact of COVID-19. The discount rate is based on the Group's Weighted Average Cost of Capital. At 30 June 2020, a pre-tax discount rate of 8.74% (2019: 8.92%) 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.



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

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 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 2020, a pre-tax discount rate of 8.74% (2019: 8.92%) 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 2019, the value in use model utilised by management used a cash flow forecast to 2022, 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 has no intention of 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.

	Group 2020 \$000s	Group 2019 \$000s
Final Dividends Paid	–	1,208

20. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of Net Surplus with Cash Flow from Operating Activities

	Group 2020 \$000s	Group 2019 \$000s
Net Surplus for the Year	1,360	2,555
Non Cash/Non Operating Items		
Depreciation and Amortisation	9,242	9,368
(Decrease) in Deferred Tax	(519)	(303)
Loss on Foreign Exchange Contracts	8	–
Impairment losses on PPE and Intangibles	80	318
Loss on Sale of Fixed Assets	20	2
Increase in Restoration Provision	221	22
Less Restoration Provision unwound	(217)	(20)
Other Non Cash Operating Items	(121)	(92)
INCREASE IN NON CASH ITEMS	8,714	9,295
Movements in Working Capital		
Decrease in Receivables	1,445	160
Increase/(Decrease) in Accounts Payable and Accruals	757	(324)
(Decrease)/Increase in Income Taxation Payable	(828)	28
(Increase)/Decrease in Inventories	(166)	98
Total Movement in Working Capital	1,208	(38)
NET CASH GENERATED BY OPERATING ACTIVITIES	11,282	11,812



21. LEASES

The Group as Lessee:

21(a) Right-of-Use Asset

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



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

21. LEASES (CONTINUED)

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

21(d) Amounts recognised in the Cash Flow Statement

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

21(e) Contractual Maturities for Lease Liabilities

	Group 2020 \$000s
Less than Six Months	318
Six to Twelve Months	238
Between One and Two Years	924
Between Two and Five Years	738
Over Five Years	1,658
Total Contractual Cash Flows	3,876
Carrying Amount	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 2020 \$000s	Group 2019 \$000s
Non Cancellable Operating Lease Commitments		
Not Later than One Year	221	801
Later than One Year and Not Later than Five Years	21	1,437
Later than Five Years	–	854
	242	3,092



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 2020 \$000s	Group 2019 \$000s
TOTAL CASH AND CASH EQUIVALENTS	9,171	7,081

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

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

Funding is received from international sources to fund these projects.

Funds Held at Balance Date*	3	8
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*Included in Cash and Cash Equivalents above.

The cash held at balance date is offset by a liability within 'Other payables'.

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 2020, the interest cover was 22.8 (2019: 24.4) and the leverage ratio was 0.33 (2019: 1.0).



Notes to the Financial Statements (Cont.) for the year ended 30 June 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments by category

Categories of Financial Instruments	Group 2020 \$000s	Group 2019 \$000s
Assets		
FINANCIAL ASSETS AT AMORTISED COST		
Cash and Cash Equivalents	9,171	7,081
Trade and Other Receivables	3,640	4,876
OTHER		
Right of Use Asset	2,846	–
TOTAL FINANCIAL ASSETS	15,657	11,957
Liabilities		
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and Other Payables	3,260	3,352
Borrowings	13,000	14,000
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Foreign Exchange Contracts	8	–
Termination Leave	71	75
OTHER		
Lease Liabilities	3,045	–
TOTAL FINANCIAL LIABILITIES	19,384	17,427

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 2020 \$000	Liabilities 2019 \$000	Assets 2020 \$000s	Assets 2019 \$000s
Group				
US Dollars	69	44	419	461
British Pounds	–	16	600	567
Euro	–	25	355	332
Australian Dollars	54	36	1,614	1,670
Thai Baht	9	–	18	108
	132	121	3,006	3,138



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 \$261,000 (2019: \$236,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by \$319,000 (2019: \$288,000).

Forward Foreign Exchange Contracts

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

	Group 2020	Group 2019
	\$000s	\$000s
Fair Value Loss on contracts held	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 \$130,000. (2019: \$145,000). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by \$130,000 (2019: \$145,000).

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. Refer Note 10 for estimated uncertainties around trade receivables in light of COVID-19 restrictions internationally.

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 accrued an additional collective provision. To date, the Company has experienced 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 (2019: \$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 facility expired on 30 June 2020 and was subsequently renewed on the 27 July 2020 however the funds remained available to be drawn during this time.

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.



23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Liabilities

	Group 2020		Group 2019	
	Borrowings \$000s	Interest Payable \$000s	Borrowings \$000s	Interest Payable \$000s
<6 Mths	-	256	-	290
12 Mths	-	256	-	290
1-5 Yrs	13,000	511	14,000	1,161
5+ Yrs	-	-	-	-
	13,000	1,023	14,000	1,741

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 2020 \$000s	Group 2019 \$000s
Commitments for the acquisition of property, plant and equipment	600	1,044

25. SUBSEQUENT EVENTS

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





TO THE READERS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

Opinion

We have audited the financial statements of the Group on pages 29 to 55, that comprise the Statement of Financial Position as at 30 June 2020, 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 a summary of significant 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 2020; 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 equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 27 August 2020. 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.

Emphasis of matter – Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Group as set out in notes 2, 10 and 18 to the financial statements.

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 Director's 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 consolidated 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 28 and 58 to 65, 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, except that not all other information was available to us at the date of our signing.

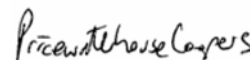
Independence

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

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



Christopher Barber
On behalf of the Auditor-General
Wellington, New Zealand



PricewaterhouseCoopers



Statutory Information

Results of operations

	2020 \$000s	2019 \$000s
Net Profit	1,360	2,555
Final Dividend Paid	–	(1,208)
Retained Earnings at Beginning of the Year	17,915	16,568
NZ IFRS Leases Transition	(273)	–
Retained Earnings at End of the Year	19,002	17,915

Changes in accounting policies

There have been no material changes in accounting policies during the year, other than changes for adoption of NZ IFRS 16.

The policies are set out on pages 33–39.

Changes in capital

There were no changes in capital during the year.

Remuneration bands

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

	Number
\$100,000 – \$109,000	39
\$110,000 – \$119,000	28
\$120,000 – \$129,000	23
\$130,000 – \$139,000	14
\$140,000 – \$149,000	15
\$150,000 – \$159,000	8
\$160,000 – \$169,000	3
\$170,000 – \$179,000	4
\$180,000 – \$189,000	1
\$210,000 – \$219,000	1
\$220,000 – \$229,000	2
\$240,000 – \$249,000	1
\$250,000 – \$259,000	1
\$280,000 – \$289,000	2
\$320,000 – \$329,000	2
\$550,000 – \$559,000	1

Donations

Donations for the year totaled \$1,500.

Auditor

The Auditor for the Group is Christopher Barber, 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 \$153,000.

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 \$218,066. The total Board fees are within the amount authorised by the Shareholding Ministers.

Anthony Howard (retired 30 April 2020)	\$39,080
Sophie Haslem (Chair from 1 May 2020)*	\$31,459
Tupara Morrison (Deputy Chair from 1 May 2020)	\$24,425
Brent Armstrong	\$23,448
Margaret Devlin (resigned 21 July 2020)	\$23,448
Roanne Parker	\$23,448
Stephen Eaton	\$23,448
Prof Wendy Lawson	\$23,448
Dave Moskovitz (started 17 March 2020)	\$5,862

Total Directors' Remuneration **\$218,066**

* 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.

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.



Statutory Information (Cont.)

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 2020 are:

Director	Interest	Director	Interest
A Howard (retired 30 April 2020)	Howard Co Ventures Limited	B Armstrong	Laurie & Darryl Limited
	AJW Howard & Co Limited		AMS Consult Limited
	Onvine Limited	S Eaton	Hanlu Consulting Limited
	Karma Cola Limited		Number 63 Limited
	Be. Institute		Bronnie Limited
	Wayfairer Limited	M Devlin (Chair, People, Culture and Remuneration Committee) (resigned 21 July 2020)	Watercare Services Limited
	All Good Bananas Limited		Lyttelton Port Company Limited
	Ecological Investments Limited		Waikato Regional Airport Limited
	Verde Advisory Board		Titanium Park Limited
	Spider Tracks Limited		Aurora Energy Limited
	Titanium Solutions Limited		IT Partners Group Limited
	MetOcean Solutions Limited (ceased with effect from 30 April 2020)		Waikato University
	The Lloyd Morrison Trust		WINTEC
LMT Nominee Limited	Waikato District Council		
	Infrastructure New Zealand		
	Women in Infrastructure		
	Hospice Waikato		
S Haslem (Chair - from 1 May 2020)	Rangatira Limited	Prof Wendy Lawson	University of Canterbury
	Omphalos Limited		FrontierSI
	The Akina Foundation		Safer Christchurch Governance Group
	CentrePort Limited		Te Pūnaha Matatini
	CentrePort Properties Limited		MacDiarmid Institute
	CentrePort Property Management Limited		Diversity Working Group of Royal Society Te Apārangi
	Harbour Quays Property Limited		Tomorrow's Skies Charitable Trust
	Kordia Group Limited		Ministry of Business, Innovation and Employment (MBIE) independent panel (Te Pae Kahurangi) to review Crown Research Institutes (CRIs)
	Oyster Property Group Limited & subsidiaries		
	Livestock Improvement Corporation Limited		
LIC Agritechnology Company Limited	R Parker	New Zealand Lotteries Commission	
Tauranga Crossing GP Limited		Wonderstuff Limited	
		Pulse GP Limited	
		Skyspace Family Trustee Limited	
		Araroa Property Limited	
T Morrison (Deputy Chair and Chair, Audit and Risk Assurance Committee - from 1 May 2020)	ID Group Holdings Ltd		
	Kainga Ora		
	NZMG Ltd		
	Competenz		
	New Zealand Māori Arts and Crafts Institute		
	Pukeroa Oruawhata Trust		
	Ngati Whakaue Tribal Lands Inc		
	Te Puia Limited		
	Te Kotahitanga o Ngati Whakaue Assets Trust		
	Maori Education Trust		
	Waiheke Health Trust		
	Nga Kaihoe o Aotearoa (Waka Ama NZ)		
	Whakaue GP Limited		
	Kotahi te Hoe Limited		



Creative HQ
Victoria University Maori Language
Commission
Situateme Limited
Xerra Earth Observation Limited
The Christchurch Call Advisory Network
Think Tank Consulting Limited
Golden Ticket Limited
Jaipuna Limited
Open Polytechnic of New Zealand
InternetNZ
WebFund Limited
WebFund Smartshow Holdings Limited
WebFund Golden Ticket Holdings Limited
Hyperstart Limited
Lightning Lab 2013 Limited Partnership
Lightning Lab 2014 Limited Partnership
Lightning Lab XX Limited Partnership
WIP APP Limited
Dave Moskovitz
(started 17 March
2020)
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
Thought-Wired Limited
Arabic Digital Reform Institute
Publons Limited
Showgizmo Limited
Celsias Limited
Startup Weekend
Global Entrepreneurship Network NZ
Te Muku Rau
Wellington Progressive Jewish
Congregation
Wellington Abrahamic Council of Jews,
Christians and Muslims

Directors' statement

This Annual Report is for the period 1 July 2019 to 30 June 2020 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 2020	Actual 2019
1. Shareholder Returns			
Total Shareholder Return	2.2%	-10.8%	8.1%
Dividend Yield	2.2%	0%	1.9%
Dividend Payout	11.5%	0%	10.2%
Return on Equity (ROE)	13.2%	5.9%	11.8%
Return on Funds Employed	13.4%	6.7%	13.3%
2. Profitability/Efficiency			
NPAT	3,082	1,360	2,555
EBIT	4,800	2,427	4,802
EBITDA	14,330	11,669	14,170
Asset Turnover	1.39	1.29	1.36
Operating Margin (EBITDAF)	21.9%	19.3%	23.2%
Operating Margin (EBIT)	7.3%	4.0%	7.9%
3. Leverage/Solvency			
Gearing Ratio (net)	24.1%	14.0%	23.6%
Interest Cover	27.6	22.8	24.3
Solvency	1.41	1.76	1.75
Debt Coverage Ratio	2.50	5.36	2.92
4. Growth/Investment			
Revenue Growth	8.3%	-1.3%	2.4%
EBITDA Growth	3.5%	-17.6%	-0.7%
NPAT Growth	13.8%	-46.7%	-23.7%
Capital Renewal	1.15	0.85	0.78



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.	$\text{Dividends paid} / \text{Average commercial value}$.
Dividend Payout	Proportion of net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder.	$\text{Dividends paid} / \text{Net cash flow from operating activities}$.
Return on Equity (ROE)	How much profit a company generates with the funds the shareholder has invested in the Company.	$\text{Net profit after tax} / \text{Average equity}$.
Return on Funds Employed (ROFE)	Measures company profitability and the efficiency with which its capital is employed.	$\text{Ratio of EBIT to average debt plus equity over the period}$.
2. Profitability/Efficiency		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	$\text{Revenue} / \text{Assets}$.
Operating Margin (EBITDAF)	The profitability of the Company per dollar of revenue, with profitability measured as earnings before interest, taxation, depreciation, amortisation and fair value adjustments.	$\text{EBITDAF} / \text{Revenue}$.
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue, with profitability measured as earnings before interest, taxation.	$\text{EBIT} / \text{Revenue}$.
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.	$\text{Net debt} / \text{Net debt plus equity}$.
Interest Cover	The number of times that earnings can cover interest.	$\text{EBITDA} / \text{Interest paid}$.
Solvency	Ability of the Company to pay its debts as they fall due.	$\text{Current assets} / \text{Current liabilities}$.
Debt Coverage Ratio	Level of bank debt in relation to earnings.	$\text{Bank debt} / \text{EBIT}$.
4. Growth/Investment		
Revenue Growth	Measure of whether the Company is growing revenue.	$\% \text{ change in Total Revenue and Other Income}$.
EBITDAF Growth	Measure of whether the Company is growing earnings.	$\% \text{ change in EBITDAF}$.
NPAT Growth	Measure of whether the Company is growing profits.	$\% \text{ change in NPAT}$.
Capital Renewal	Measure of the level of capital investment being made by the Company.	$\text{Capital expenditure} / \text{Depreciation expense}$.



Key Performance Indicators Non-financial

	Statement of Corporate Intent	Actual 2020	Actual 2019
Warnings Performance			
POD Heavy Rain (12 mo mean)	>90%	97%	93%
POD Severe Gales (24 mo mean)	>85%	93%	93%
POD Heavy Snow (24 mo mean)	>85%	100%	95%
FAR Heavy Rain (12 mo mean)	<25%	15%	8%
FAR Severe Gales (24 mo mean)	<30%	18%	19%
FAR Heavy Snow (24 mo mean)	<30%	13%	5%
Observing			
Radar % Uptime (12 mo mean)	>97%	99%	99%v
AWS % Uptime (12 mo mean)	>98%	99%	99%
Wellbeing Contributions			
Number of partnership agreements that contribute towards Maori success	2	2	–
People managers receiving Unconscious Bias training	100%	100%	–
Harm caused to employees, visitors and contractors	0	1	1*
Social Investment (\$000)	250	230	239
Community Engagement (hours)	220	217	140
WMO Staff Participation (number of staff)	10	10	15

*Hand injury leading to ruptured tendon several days later, resulting in eight days of lost time.



NOTES ON THE NON-FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description/Calculation
Probability of Detection (POD)	The ratio of correctly forecast events to actual events observed.
False Alarm Rate (FAR)	The ratio of severe forecast events that didn't occur (false alarms) to the number of events forecast. The POD and FAR for heavy rain events is reported as a 12-month running mean. For heavy snow and high wind events the POD and FAR are reported as a 24-month running mean, reflecting the relative infrequency of these events.
Radar % Uptime	The percentage of time that radar data is available in MetService's Wellington office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available in MetService's Wellington office, averaged over all AWS sites.
Harm caused to employees, visitors and contractors	A work place-related injury that results in time lost from work.
Social Investment	The amount of investment over the financial year given to community organisations or charities.
Community Engagement	The number of hours over the financial year that staff engaged directly with schools and community organisations.
WMO Staff Participation	Staff participation with the United Nations World Meteorological Organization in either a working group or a formal meeting over the financial year.



Company directory

DIRECTORS

Chair

Anthony Howard (retired 30 April 2020)

Sophie Haslem (from 1 May 2020)

Deputy Chair

Sophie Haslem (until 30 April 2020)

Tupara Morrison (from 1 May 2020)

Audit and Risk Assurance Chair

Sophie Haslem (until 30 April 2020)

Tupara Morrison (from 1 May 2020)

People, Culture and Remuneration Chair

Margaret Devlin (until 21 July 2020)

Director

Brent Armstrong

Stephen Eaton

Roanne Parker

Dr Wendy Lawson

Dave Moskovitz (from 17 March 2020)

EXECUTIVE

Chief Executive

Peter Lennox (resigned 24 July 2020)

GM Science Strategy

Norm Henry

Chief Financial Officer

Keith Hilligan (Acting CEO from 25 July 2020)

GM Meteorological Operations

Ramon Oosterkamp

GM Sales

Rob Harrison

GM Strategy & Governance

Tina Dustdar

GM Brand & People Experience

Angus Swainson (departed July 2019)

GM People Experience

Natalie Lombe (started September 2019)

Chief Information Officer

Mark Huttley

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

Chris Barber, with the assistance of

PricewaterhouseCoopers

10 Waterloo Quay

PO Box 243

Wellington, New Zealand

On Behalf of:

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100 Molesworth Street

PO Box 3928

Wellington, New Zealand

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C/o Premier Thai Lawyers Ltd (Head Office)

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Thailand

Meteorological Service of New Zealand

(Thailand Representative Office)

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This report is also available online at metservice.com

