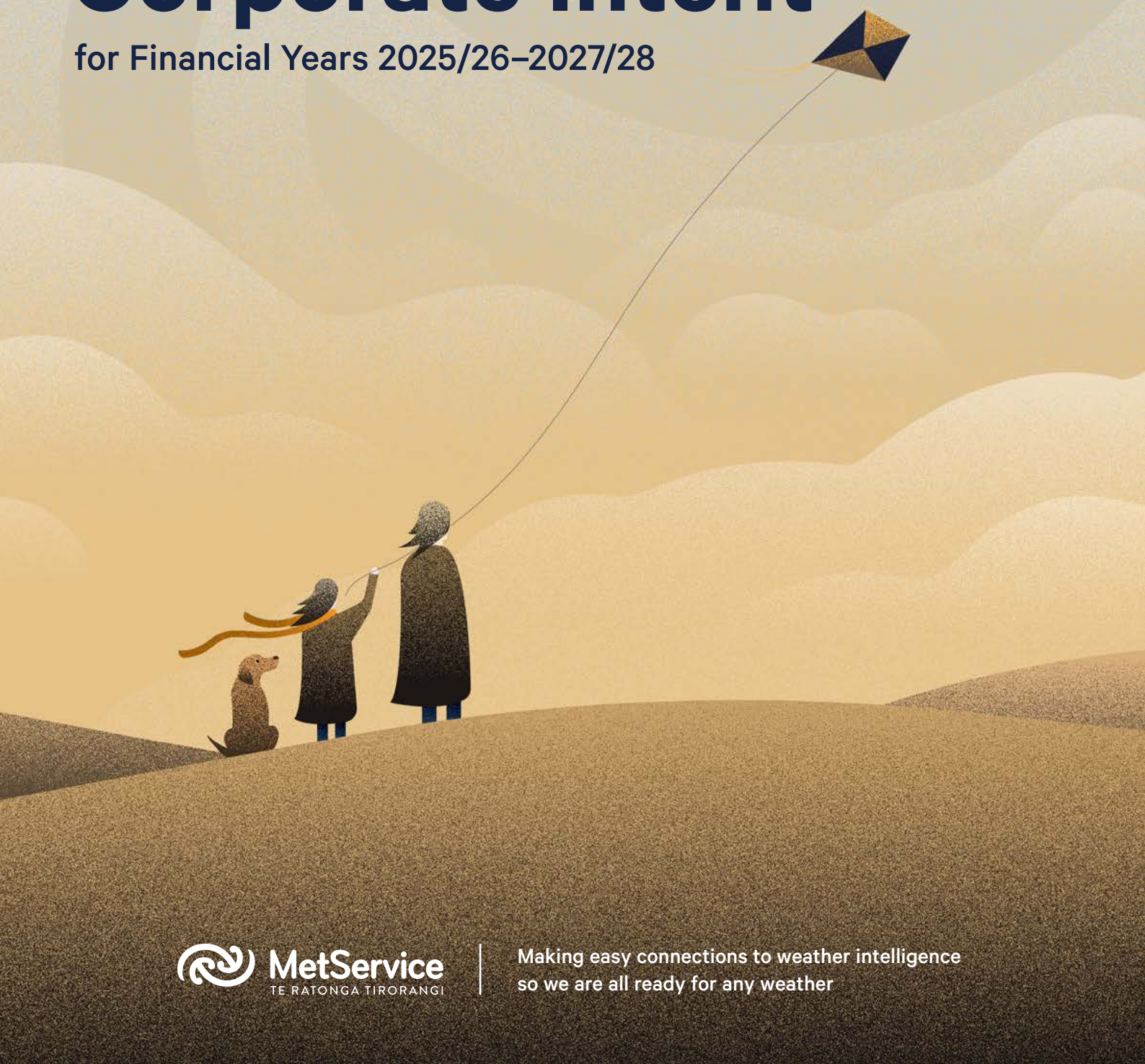
June 2025

MetService Statement of Corporate Intent

for Financial Years 2025/26–2027/28



MetService
TE RATONGA TIRORANGI

Making easy connections to weather intelligence
so we are all ready for any weather

Contents

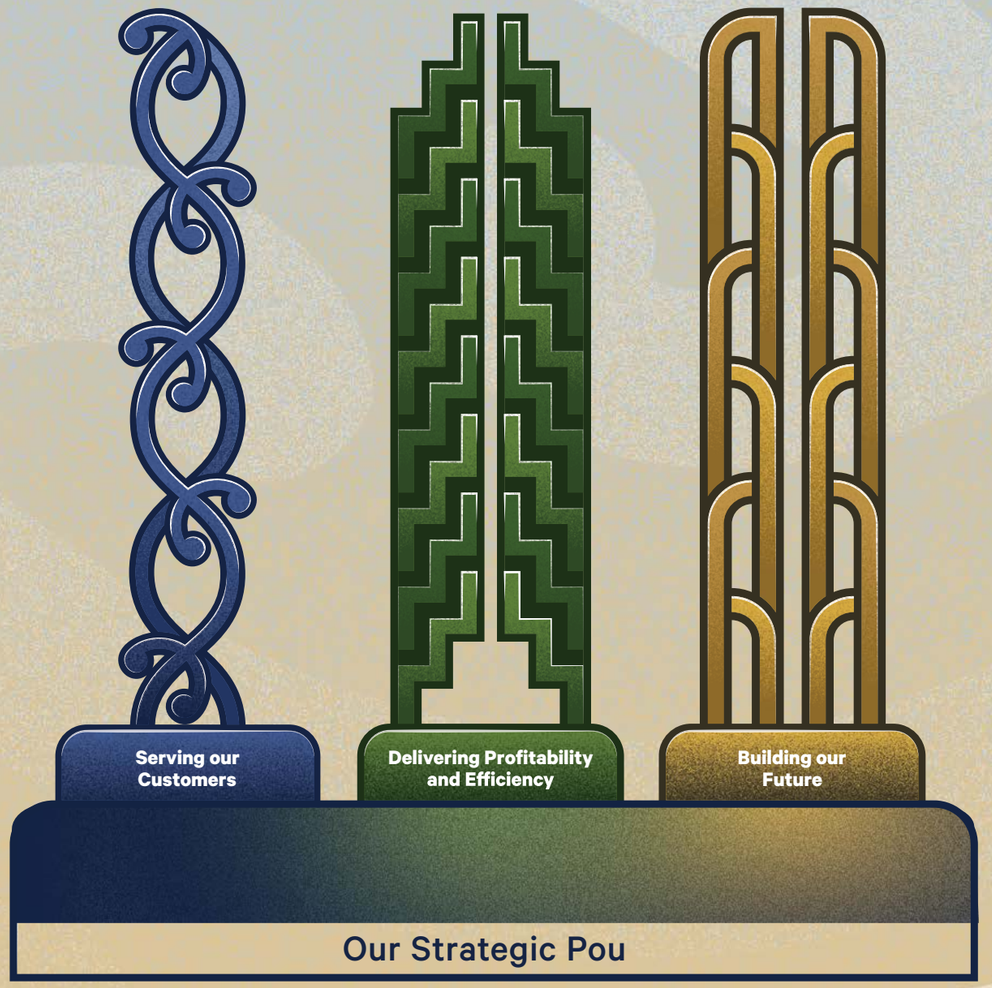
Cover design by Nicholas Reid.

It represents MetService's vital role in connecting New Zealanders with the weather, everyday.

This Business Plan delivers to our Purpose:

Making easy connections to weather intelligence so we are all ready for any weather.

The Plan consists of three Strategic Pou that underpin our Purpose and structure our deliverables.



Our Strategic Pou

The Pikorua and the Mangopare
Represents trust and connection, also courage and strength.

The Poutama
Represents our ongoing drive to learn and improve.

The Koru and Rouru
Represents growth and innovation – underpinned by strong roots for resilience.

1. Introduction

This Statement of Corporate Intent is submitted by the Meteorological Service of New Zealand Limited, MetService - Te Ratonga Tirorangi, and outlines the company's direction for the three financial years ending 30 June 2028.

All people and all human endeavours are affected by the weather. It contributes to economic prosperity and social wellbeing but, in its more destructive forms, causes devastating impacts including loss of life. Extreme weather events present the highest global risk over the next 10 years and will increasingly impact global economics, security, and stability. As our climate changes, New Zealand will be affected by extreme weather with greater force and frequency, placing growing emphasis on sound decision making—by government agencies, businesses, and individuals—to effectively manage weather-related risks.

MetService's role goes well beyond delivery of weather data, knowledge, and expertise. It is also critically important to translate this intelligence into effective communication that is useful and easily understood by our diverse population and commercial customers.

This is reflected in our Purpose:

Making easy connections to weather intelligence so we are all ready for any weather.

MetService achieves its Purpose by combining high-quality weather observations and computer modelling with world-class meteorological expertise and communications capability, to provide reliable operational services around the clock, 365 days a year.

Making easy connections reflects the importance of accessibility and effective engagement with our customers. Our audiences range from business or government decision-makers with a deep understanding of weather-related risks to remote or vulnerable communities that can be disproportionately impacted by severe weather events and may be hard to reach through traditional means. Customer engagement sits at the heart of the organisation and is essential for connecting with the people of New Zealand and for partnering with hapū and iwi through trusted channels to deliver safety-critical guidance on weather threats.

Our operational systems focus on collecting, and creating, weather intelligence through basic data collection, weather modelling, and weather forecasting, supported by our computing and communications systems. This reflects a complex mix of technology and human aspects, including expert decision making about weather impacts and the incorporation of mātauranga (Māori knowledge), which anchor our work to New Zealand's unique physical environment and social landscape. Together, these capabilities allow us to make sense of the complexities of the weather and its impacts, now and in the future.

Bringing those elements together to provide all New Zealanders with timely, accessible, and actionable information about the weather and its impacts will ensure that *we are all ready for any weather*, and together we are a weather-ready nation.

We are going through an unprecedented period of change for National Meteorological and Hydrological Services (NMHSs) around the world, driven by global climate change and dramatic shifts in technology associated with weather prediction. These long-term trends sit alongside recent disruptions in leadership within the global meteorology community, reflecting the ideological shift within the United States Government.

The traditional approach of all NMHSs is being challenged by changes in the competitive landscape, the rapid development of AI-based weather prediction within the technology sector, and the challenges of a "big data" endeavour in the context of constrained public-sector funding. These changes also create exciting opportunities and drive a growing societal need for expert advice in weather and related disciplines. This is reflected in the outcomes of the Hau Nuku review of the New Zealand Weather Forecasting System (WFS), which will guide us as we work with our colleagues at NIWA and GNS to co-design and implement a future-focused WFS that will integrate our collective capabilities and thus strengthen New Zealand's resilience to natural hazards and better prepare us for our climate change future.

MetService will continue to address these challenges in a way that maximises benefit for New Zealand, supports Government priorities, and positions us for success in our future role within a new organisation.

As an example of our critical role, over a twelve-month period (1 April 2024–31 March 2025) MetService provided advice of incoming severe weather to help people prepare on land, in the air or at sea, which included issuing:

- 7700+ Land-based severe weather outlooks, watches and warnings;
- 110,600+ Marine forecasts and warnings;
- 62,300+ Aviation forecasts and warnings; and
- 740+ Severe weather briefings to councils.

2. Government Priorities

Through the 2025 Letter of Expectations, MetService's shareholding Ministers have highlighted their priorities for State Owned Enterprises, and specifically for MetService, noting:

- The challenging fiscal environment and the need for a sustained collective effort across Government to support delivery of Government's fiscal sustainability programme;
- The expectation that MetService will operate as an effective and efficient State Owned Enterprise that is financially sustainable and delivers reliable, high-value weather forecasting and warning services to New Zealand; and,
- MetService's ongoing role in the implementation of Cabinet's decision on the merger of MetService and NIWA, including collaborative work on a future WFS that will improve New Zealand's resilience, safety, and response to severe weather events.

These priorities will guide us as we continue to provide significant economic value to New Zealand through our public-good services delivered under our contract with the Minister of Transport and our commercial enterprise. Following a challenging period for our business and the wider New Zealand economy, we are returning to pre-pandemic levels of profitability, with operating profit increasing from near break-even for financial years 2021 and 2022 to 5.4% of turnover in FY2024. This has been achieved through investment in growth markets, more efficient business processes, and cost management. We will continue this work through the planning period.

However, we expect that FY2026 will be a challenging year for trading given current economic headwinds, and it will also bring significant abnormal costs associated with preparation for merger and a move to resilient operational and head-office facilities in Wellington. Therefore, this Statement of Corporate Intent anticipates that net profit in FY2026 will be reinvested in development of the future WFS and organisational transition.

In terms of broader economic impact, MetService delivers exceptional benefit to New Zealand with a benefit-to-cost ratio of our public-good weather services estimated to be in the range of 10:1–48:1. In comparison to NMSs in similar countries, we also deliver high value for money to the Crown through efficient asset management and service delivery. For example, the UK Met Office services a similar-sized area, with similar geographic and climate complexity for its national severe weather services. In 2022, the cost of those services was GBP123 million (NZD277 million) compared with NZD24 million received by MetService under the Ministry of Transport contract. In relation to weather observing programmes, MetService compares favourably to international cost efficiency benchmarks[1], delivering our programmes at a lower cost than any of the comparator countries.

[1] *Charting a Course for Sustainable Hydrological and Meteorological Networks. World Bank Group, October 2022.*

The value we deliver to New Zealand

$23.4 million

Annual Government Investment

$235 million–$1.13 billion

Annual Quantified Benefits

In 2018, NZ Institute of Economic Research assessed the benefits of the MetService contract with the Ministry of Transport to the general public, agriculture, disaster management and road transport sectors. This does not include the services we provide to aviation and marine sectors or other commercial domestic and international enterprises.

From an annual government investment of $23.4 million, the benefit-to-cost ratio was determined to be between 10:1–48:1. This translates into benefits ranging from $235 million–$1.13 billion.

This type of benefit/cost assessment is challenging because of the difficulty quantifying the benefits, which is why the results are often presented as a range rather than a precise figure. Similar studies in other countries provide useful data for comparison, with an estimated benefit-to-cost ratio for Australia of 11.6:1, for the United Kingdom 14.1:1, and for the Netherlands a range of 5:1–42:1. We note that the range of services that are included varies from one study to the next, so the comparisons are not fully like-for-like.

3. Objectives and Business Activities

3.1 Objectives of a State Owned Enterprise

Under the State Owned Enterprises Act, MetService is required to operate as a successful business and achieve the following objectives:

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

3.2 MetService's Scope of Activities

As New Zealand's National Meteorological Service (NMS), MetService provides the following core services:

- New Zealand's single authoritative voice for weather information, delivering trusted advice through our diverse delivery channels and mainstream media.
- Specialised forecasting and decision-support services for central and local government, national security and resilience, the civil defence and emergency management system, search and rescue, and other lifeline activities.
- Provision of useful and easily understood weather news and information for the New Zealand public through our trusted online social media channels, MetService's public website and Apps.
- Forecasting services for the New Zealand aerospace industry, domestic and international aviation operators, the Royal New Zealand Air Force, and other weather services for international aviation that are delivered on behalf of the New Zealand Civil Aviation Authority (CAA). These services meet national requirements of the International Civil Aviation Organization (ICAO).
- Atmospheric observations, weather forecasting, and severe weather warning services that meet the requirements of the Meteorological Services Act (1990), delivered under contract to the Minister of Transport.
- Representation of New Zealand at the World Meteorological Organization (WMO) and other international bodies.
- Supporting the resilience and effectiveness of Pacific National Meteorological Services through capability and capacity development as a reliable long-term partner.

Other commercial services provided by MetService include:

- Access to comprehensive weather information for business customers through digital platforms and Application Programming Interfaces (APIs).
- Strategic stakeholder engagement with a range of New Zealand organisations to understand changing needs and requirements regarding weather impacts.
- International media services including weather graphics for broadcast television, print, and online media, broadcast television, print, and online media.
- Specialised forecasting and decision-support services for industries affected by weather and related risks, including transportation, marine, health, energy, retail, construction, agriculture, and mining.
- Specialised products and resources to support the growth of the Māori economy.

4. Strategic Context

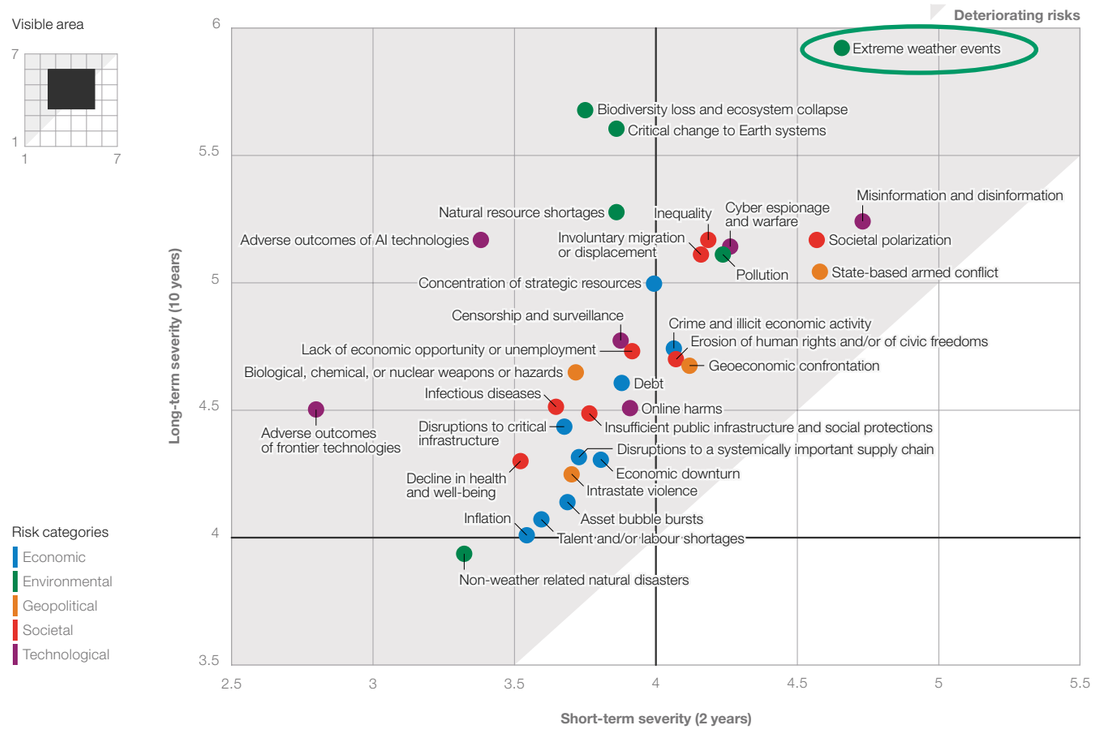
4.1 Climate Change

Our changing climate is increasing weather-related risk and opportunity on a global scale. Based on insights from over 900 experts worldwide, the World Economic Forum publishes its annual Global Risks Report, outlining the most serious risks that have the potential to affect a significant proportion of global economic output, population, or natural resources. The 2025 report identifies extreme weather events as the most significant long-term risk.

The figure below, taken from the 2025 report, shows the severity of global risks from short-term (2-year) and long-term (10-year) perspectives. Severity is assessed on a 7-point scale from low risk (1) to high risk (7), with the plotted position reflecting the trend over the period. In the short term, extreme weather is second only to misinformation/disinformation, becoming the highest risk in the long term with a severity score of just below 6.

The growing risk of extreme weather in a changing climate has prompted the United Nations, via the WMO, to establish its Early Warnings for All initiative, with an ambitious goal of ensuring that all people are protected by early warning systems by the end of 2027. The programme recognises that reliable warnings of hazardous weather and its impacts are an essential element of adapting to our changing environment. Our work to improve the WFS will meet and exceed these international goals.

New Zealand is fortunate to be among nations with advanced forecasting and warning systems. Extreme weather events of the past two years, in particular the North Island storms of January and February 2023, have been a timely reminder of our growing weather risks and the need to adapt and prepare for more frequent and more damaging events. Recent weather events have also highlighted the critical importance of effective engagement with the public and other users to ensure that our forecasts and warnings lead to appropriate responses.



Source: World Economic Forum Global Risks Perception Survey 2024-2025

4.2 Economic Landscape

While the New Zealand economy is showing signs of modest recovery, consumer demand continues to be weak and global economic uncertainty is high, reflecting the destabilising effect of the US position on trade and engagement with its traditional allies. Meanwhile, the fiscal environment in New Zealand remains a concern, with Government focused on reducing costs and improving efficiency through its fiscal sustainability programme. We are cautiously optimistic about growth in our key markets, noting gradual improvement in revenue from the advertising and aviation sectors, and opportunities for aid-funded work to support Pacific nations. Other segments of our business-to-business market remain under significant pressure along with revenue from government contracts.

The global market for weather services is increasingly complex, reflecting rapid advances in technologies that support the weather enterprise including traditional and AI-based weather modelling, space-based weather observations, and a diverse range of computational technologies. These trends are reflected in the growing dominance of large technology-focused companies with global reach and technical strengths in critical areas such as data management, modelling, and AI applications, which is changing the nature of competition across the weather enterprise. The comparatively low cost, and increasingly high quality, of automated data-driven forecasts poses a significant threat to more traditional weather service providers, including most NMSs. These competing services cannot contextualise to the needs of individual regions and communities but are evolving rapidly. Consumer demand is also evolving, with people increasingly prioritising ease and convenience in how they access weather data, further strengthening the competitiveness of scalable technology-driven services.

Changing technology is also driving a transformation of the role of human experts in weather forecasting, with less emphasis on "forecasting the weather" and greater focus on impacts prediction and the delivery of expert advice to support risk-based decision making. This is reflected in an ongoing, long-term, transition of our meteorological workforce away from traditional forecasting practice to *impacts-based decision support*, which is transforming the way we approach our B2B and Government business markets.

The ability to engage with consumers, either directly through social media and other interactive channels, or through traditional media, is of growing importance for NMS to retain their "share of voice" regarding forecasts and warnings of high-impact weather. Consumer preferences for media channels and content continues to rapidly evolve, while advertising revenue for all media companies is under pressure, leading to dramatic changes in the media landscape and commercial models for content, including weather.

4.3 New Zealand's Future Weather Forecasting System

The Hau Nuku review of New Zealand's WFS, completed in mid-2024, provided a comprehensive, and far-reaching, set of recommendations on the future WFS. The review has taken into account the changing national risk landscape and ongoing challenges with effective collaboration across the science sector, acknowledging the critical need for cross-disciplinary cooperation to support national resilience. In summary, key recommendations of the review are that the future WFS:

- Is co-designed, drawing on knowledge and expertise of MetService and NIWA, informed by a supporting vision, priorities, key requirements and appropriate governance.
- Provides effective warning services for weather and related hazards through a single authoritative voice, with seamless integration across other environmental hazards to enable an impacts-based multi-hazard warning system.
- Drives effective outcomes across the four elements of emergency management (reduction, readiness, response, and recovery) leveraging strong brand and trust to enhance engagement across New Zealand's emergency management sector.
- Makes efficient use of scarce resources (i.e., weather, climate and impacts expertise) and ensure an effective research-to-operations pathway to optimise societal benefit.
- Is able to adjust in response to new and emerging requirements and technologies, and to enable wider research and innovation through access to data, products and Crown-funded research outputs.
- Is implemented without disruption to services, noting the critical importance of operational weather forecasting for national resilience.

These recommendations sit alongside wider science sector reforms that have commenced in FY2025. MetService will transition from a State Owned Enterprise to a wholly owned subsidiary of a Public Research Organisation (PRO), to be formed through a merger of NIWA and GNS. Shareholding ministers have also made clear their expectation that MetService will play a leading role in the implementation of review outcomes.

We have collaborated closely with the Hau Nuku review team throughout its work, and support its recommendations, which are aimed at better harnessing New Zealand's collective capability in meteorology and related science disciplines, to strengthen national resilience to the growing threat of severe weather and its impacts. However, the design and implementation of the future WFS and preparation for organisational transition will be major activities for MetService in FY2026 which will require careful prioritisation of other investment and transformational activities.

5. Our Strategy

In FY2026, MetService will be in the final year of its current five-year strategy to strengthen its support for national resilience in a changing climate. We will also be in a transition period, during which we will prepare for our future in the new Earth Sciences PRO and work through the detailed design of the future WFS. This work will support development of a new long-term growth strategy in collaboration with NIWA and GNS.

In the meantime, our Statement of Corporate Intent for FY2026–28 will be structured around three Strategic Pou (or Pillars) that are aligned to our Purpose and reflect Government priorities for business performance, the needs of our customers, and preparation for our future organisation.

Serving Our Customers

Creating value for our customers through our people, our relationships, and our operational integrity.

MetService has strong brand recognition and consistently scores highly in surveys of public trust in government agencies, reflecting our commitment to our Purpose and emphasis on operational excellence. Through the planning period we support a weather-resilient nation and reduce the national cost of high-impact weather events through continuous improvement in the accuracy and utility of our weather services, the performance of underpinning infrastructure, our relationship with Māori, and our ongoing engagement with diverse audiences including hard-to-reach communities. We will also build on our reputational strengths to create value for our customers through focused investment in products and services that meet their needs. The success of this Pou will rely critically on developing the skills of our people, strengthening our business culture, and aligning with our Purpose.

Building Our Future

A leading role in the design and implementation of the future WFS to ensure a successful organisational transition.

We are excited by the opportunity to build our future within the future Earth Sciences PRO, and will ensure an appropriate level of organisational preparedness for the transition. Strong collaboration with NIWA, GNS, and other Crown stakeholders will be vital to achieving the objectives and benefits of the WFS review are achieved, and will continue to evolve our forecasting systems, outputs, and operational practice to align with the vision for the WFS. As the WFS evolves, it will benefit from the experience of overseas agencies that have a more integrated approach to natural hazards monitoring and warning, and we will continue to invest in close relationships across the international community.

Delivering Profitability and Efficiency

Increasing value for money to the Crown through greater profitability and efficiency.

We will continue our ongoing work to optimise our business for growth and profitability, drawing on market analysis to increase our focus on market segments that have high growth potential and align with our competitive strengths. For sectors in which we are active and that do not demonstrate sufficient profit potential, we will either implement an exit strategy or shift our approach to support long-term profitability. Opportunities to drive business efficiency will focus on reducing technical debt through implementation of our Digital Strategy, continuing to evolve our weather forecasting operation to focus on high value-add work, and improving efficiency of business processes through AI-based automation.

6. Sustainable Business Performance

MetService is committed to sustainable business performance and considers a wide set of resources and relationships that drive performance in the short, medium, and long term. The following four areas have been identified as being critical to overall sustainable business performance.

Our Operational Integrity

- Reliable service delivery
- Customer engagement
- Scientific expertise
- Effective health and safety systems

As we navigate through organisational transition, our main priority is to ensure *reliable delivery* of our weather forecasting and warning services, through effective management of our infrastructure and a focus on operational excellence. This will require significant, ongoing investment to address legacy IT systems. Our collective *customer engagement* capability and *scientific expertise*—across MetService and NIWA—will support the design and implementation of a future-focused WFS that will meet the long-term needs of a weather-resilient nation. Our *Health and Safety* processes and systems will help our people to stay safe and we will continue to build on those systems to strengthen their effectiveness.

Our Relationships

- Brand strength and public trust
- Science and emergency management sector engagement
- Global relationships in meteorology

Strong relationships with Māori, our customers, and our stakeholders—including the New Zealand public—will be essential to maintaining our brand strength and public trust through the transition. We will continue to grow our relationships within the New Zealand science sector and across the emergency management sector, leveraging the insights and learnings from these relationships to drive continuous improvement. Internationally, we will strengthen strategic relationships across the meteorological community, emphasising key partner NMSs, UN agencies and related Pacific regional agencies.

Our People

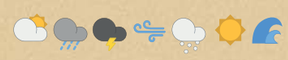
- Our culture of diversity and inclusion
- People capability development
- Wellbeing

Our people are our most important asset. Our *culture* inspires them, and this will be more important during this planning period than at any other time in MetService's history. We will take a thoughtful approach to building the strength of our teams through diversity and inclusion so that our people will feel included, empowered, and committed to our success. We will support their capability development, enabling them to make a positive impact every day through their expertise, and we will support their wellbeing with our Te Whare Tapa Whā wellbeing framework.

Our Performance

- Business performance
- Sound fiscal management
- Balanced approach to investment

As we work through the transition, we will focus on delivering value to our shareholders through strong *business performance* and *sound fiscal management*. We will support a weather-ready nation through a *balanced investment approach*, including aligning our operational programmes with the future WFS.



7. Commercial Value of the Crown's Investment

On 30 June 2025, the Board's estimate of the current commercial value of the Crown's investment in MetService is in the range of $54.9 million–$66.1 million (if a point-value needs to be taken, the mid-point is $60.5 million). On 30 June 2024, the valuation was in the range of $51.8 million–$62.3 million, with a mid-point of $57.1 million.

The current valuation is based on the following:

- The Discounted Cash Flow (DCF) methodology was used to calculate a Net Present Value (NPV) of the entire MetService group, including all subsidiaries, on an after-tax basis.
- The DCF/NPV is based on nominal future cash flows set out in the MetService Group's three-year business plan and an additional seven years, calculating a present value in the terminal year. The terminal or perpetuity free cash flow is based upon expected long term inflation expectations for the New Zealand economy, assuming nil real growth.
- A discount rate of 8.4% (30 June 2024 - 8.4%).
- The valuation was prepared by Deloitte and approved by the MetService Board.

8. Ratio of Consolidated Shareholders' Funds to Total Assets

MetService projects a 55.88% ratio of consolidated shareholders' funds to total assets (equity ratio) as at 30 June 2028.

In this context, consolidated shareholders' funds mean the total paid-up capital together with retained surpluses and reserves.

Total assets mean the sum of all current and fixed assets owned by MetService, to the extent that these have been attributed value in its financial statements.

$000's	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Shareholders' Funds	26,460	27,805	28,722	31,524	35,167
Total Assets	53,862	53,031	58,327	59,897	62,935
%	49.13	52.43	49.24	52.63	55.88

9. Dividend Policy and Capital Structure

9.1 Dividend Policy

MetService's dividend policy has been to pay out dividends between 15%–40% of Net Cash Flow from Operating Activities, less maintenance capital expenditure. This dividend pay-out ratio was a temporary reduction to address the levels of gearing and the effects of under investment in the past.

The Board of Directors have determined that the Statement of Corporate Intent will assume no dividend payments for this period to assist funding of the merger with NIWA.

9.2 Capital Structure

The Board of Directors annually reassesses the capital structure of MetService to ensure that it continues to be appropriate for the circumstances, including the need to retain financial flexibility.

10. Relationship with Shareholding Ministers

To enable Shareholding Ministers to assess the value of their investment in MetService, any information that would normally be supplied to a controlling private sector shareholder will be made available; this includes the following:

- Annual Reports will be submitted in accordance with Section 15 of the State Owned Enterprises Act 1986.
- Half-Yearly Reports will be submitted in accordance with Section 16 of the State Owned Enterprises Act, and will include unaudited statements of financial performance, financial position, and cash flows, along with such other details as are necessary to permit an informed assessment of MetService's performance during the period.
- Quarterly reports will be submitted within one month of completion of the quarter, indicating actual performance against key financial and operating performance targets during the period, and reasons for any significant departure from forecasts.
- Shareholding Ministers will be advised of any changes to the Statement of Corporate Intent, Treasury management policies and procedures applied by MetService, including the Board's approved limits for currency, interest rate, and credit exposure.
- A Business Plan for the next three financial years will be made available to Shareholding Ministers for discussion prior to the commencement of each financial year.
- MetService will fully comply with Section 18 of the State Owned Enterprises Act in providing to Shareholding Ministers such additional information as may from time-to-time be requested.

10.1 Consultation

MetService undertakes to consult with Shareholding Ministers when specific business opportunities exceed the following thresholds:

- Core Activities: Opportunities where the proposed transaction exceeds $5 million.
- Related Activities: Opportunities where the proposed transaction exceeds $3 million.

The thresholds for consultation are subject to any changes to the Owners Expectation Manual.

MetService maintains a "no surprises" communications approach with its Shareholding Ministers and their representatives, such as Treasury, including appropriate communication around major capital and investment business cases.

10.2 Procedure for Acquisition of Shares

MetService will not invest in the shares of another entity unless the securities acquired are likely to bring added value to MetService. In any instance where MetService intends to subscribe for or otherwise acquire (whether at the same time or over a period of time), 20% or more of the shares of any company, it will give prior written notice of its intention to Shareholding Ministers.

10.3 Activities for Which Compensation is Sought

Where the Government wishes MetService to undertake activities, or assume obligations, that will, or could, result in a reduction in the surplus or net worth of MetService, the MetService Board of Directors will seek sufficient compensation to allow MetService's financial position to be preserved.

MetService does not currently seek compensation for any non-commercial activities under Section 7 of the State Owned Enterprises Act.

11. Accounting Policies

The MetService Group's accounting policies are in Appendix B.

12. Performance Targets

12.1 Strategic Performance Targets

Our strategic performance targets linked to each strategic pillar are shown below:

Serving Our Customers	2024/25	2025/26	2026/27	2027/28
Heavy rain warnings POD	92%	>90%	>90%	>90%
Severe Gales POD	97%	>90%	>90%	>90%
Heavy rain warnings FAR	8%	<15%	<15%	<15%
Severe Gales FAR	10%	<25%	<25%	<25%
Uptime % of weather observing systems (combined radar and Automated Weather Stations) excluding planned maintenance windows for radar upgrades.	99.4%	>99%	>99%	>99%
Usefulness of forecasts (user survey rating)	New	>70%	>70%	>70%
Year-on-year growth of the monthly average of daily active users on metservice.com and MetService mobile Apps	New – establish baseline	1% increase	1% increase	1% increase
Growth in digital audience engagement – social media	New – establish baseline	5% increase	5% increase	5% increase
Maintain majority share of voice in mainstream media	New	75%	75%	75%
Delivering Profitability and Efficiency	**2024/25 (Act – Mar 25)**	**2025/26 (BP)**	**2026/27 (BP)**	**2027/28 (BP)**
Normalised EBIT ($000)	2,680	4,154	4,666	5,785
Cash flow from Operating Activities ($000)	8,362	9,094	10,670	12,103
Operating Margin Normalised EBITDA	15.5%	16.0%	15.8%	16.6%
Building Our Future	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Engagement category score on organisational culture	New	No change	No change	5% Increase
Transition readiness index (critical tasks rated as ready)	New	100%	n/a	n/a
Early benefits realisation	New	TBA	n/a	n/a

Notes to the Performance Targets are in Appendix A

12.2 Financial Performance Targets

Financial performance targets are shown in the table below, with financial figures in $000s. The Business Plan assumes:

- One-off costs associated with the transition and the operating costs associated with the move of the National Forecasting Centre and head office have been identified separately. Profitability before these costs is shown as Normalised EBIT.
- No dividend will be paid during this period to ensure the organisation has the funding to cover merger costs. Efficiencies through the merger process are also expected to contribute to underlying costs of the merger.

	2024/25 (Forecast)	2025/26 (BP)	2026/27 (BP)	2027/28 (BP)
1. Shareholder Returns				
Total Shareholder return	5.6%	0.0%	0.0%	0.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Dividend payout	0.0%	0.0%	0.0%	0.0%
Return on equity (ROE)	4.9%	3.2%	9.3%	10.9%
Return on funds employed	10.2%	10.2%	10.6%	12.5%
2. Profitability / Efficiency				
NPAT	1,342	917	2,802	3,643
Normalised EBIT	3,828	4,154	4,666	5,785
EBIT	2,477	2,304	4,666	5,785
EBITDA (Normal Trading)	11,860	12,254	12,766	14,128
Asset turnover	1.38	1.38	1.37	1.39
Operating margin (EBITDA)	16.1%	16.0%	15.8%	16.6%
Operating margin (Normalised EBIT)	5.2%	5.4%	5.8%	6.8%
Operating margin (EBIT)	3.4%	3.0%	5.8%	6.8%
3. Leverage / Solvency				
Gearing ratio (net)	13.8%	21.7%	17.4%	12.6%
Interest cover	16.22	14.85	16.47	19.49
Solvency	1.22	1.25	1.30	1.33
Debt coverage ratio	2.74	3.49	2.89	2.16
4. Bank Covenants				
Interest Cover Ratio	18.85	16.90	18.91	22.60
Total Leverage Ratio	0.37	0.65	0.52	0.36
5. Growth / Investment				
Revenue growth	6.1%	3.9%	5.3%	5.3%
EBITDA growth	8.6%	3.3%	4.2%	10.7%
NPAT growth	-42.6%	-31.7%	205.6%	30.0%
Capital renewal	1.32	1.55	1.16	1.26

Notes to the Performance Targets are in Appendix A.

Appendix A: Notes to Performance Targets, Acronyms and Abbreviations

Notes to Performance Targets

Measure	Description /Calculation	
Probability of Detection (POD)	The ratio of correctly forecast severe weather events to actual events observed.	The POD and FAR for heavy rain events are 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.
False Alarm Ratio (FAR)	The ratio of forecast severe weather events that did not occur (false alarms) to the number of events forecast.	
Uptime of weather observing systems	The average of (a) percentage of time that radar data is available within MetService's Wellington Head Office, averaged over all radar sites; and (b) the percentage of time that Automated Weather Station data is available within MetService's Wellington Head Office, averaged over all Automated Weather Station sites.	
Usefulness of forecasts	User survey rating. Indicates how well forecasts meet user needs and expectations.	
Maintain majority share of voice in mainstream media	Measures MetService's percentage share of voice in comparison to other weather providers across mainstream channels including television, radio, digital, and print outlets.	
Engagement – People Score	It measures employee engagement on organisational culture through the change process.	
Transition readiness index	It assesses the organisation's readiness to implement change across four dimensions: Strategic alignment and governance, operational integration, organisational capability and risk management.	
Early benefits realisation	It tracks tangible, short term benefits achieved during the transition phase to a PRO, helping to demonstrate early progress, value and momentum.	

Shareholder Returns

Measure	Description	Calculation
Total shareholder return	Performance from an investor perspective – dividends and investment growth	(Commercial value less Commercial value beg plus dividends paid less equity injected) / Commercial value
Dividend yield	The cash return to the shareholder	Dividends paid / Average commercial value
Dividend pay-out	Proportion of net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder	Dividends paid / Net cash flow from operating activities
Return on equity (ROE)	How much profit a company generates with the funds the shareholder has invested in the company	Net profit after tax / Average equity
Return on funds employed (ROFE)	A measure of profitability and the efficiency with which capital is employed to achieve that profit	Ratio of EBIT to average debt plus equity over the period

Profitability, Efficiency

Measure	Description	Calculation
Asset Turnover	The amount of revenue generated for every dollars' worth of assets	Revenue / Assets
Operating margin (EBITDA)	The profitability of the company per dollar of revenue	EBITDAF / Revenue
Operating margin (Normalised EBIT)	The profitability of the company per dollar of revenue from normal trading	Normalised EBIT / Revenue
Operating margin (EBIT)	The profitability of the company per dollar of revenue	EBIT / Revenue

Leverage, Solvency

Measure	Description	Calculation
Gearing ratio (net)	Measure of financial leverage—the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity	Net debt / Net debt plus equity
Interest cover	The number of times that earnings can cover interest	EBITDAF / Interest paid
Solvency	Ability of the company to pay its debts as they fall due	Current assets / Current liabilities
Debt coverage ratio	Level of bank debt in relation to earnings	Bank debt / EBIT

Growth, Investment

Measure	Description	Calculation
Revenue growth	Measure of whether the company is growing revenue	% change in revenue
EBITDA growth	Measure of whether the company is growing earnings	% change in EBITDA
NPAT growth	Measure of whether the company is growing profits	% change in NPAT
Capital renewal	Measure of the level of capital investment	Capital expenditure / Depreciation expense

Appendix B: Accounting Policies

The material 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 Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS Accounting Standards). The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013, and the State Owned Enterprises Act 1986.

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

Standards adopted for the first time

Not Applicable.

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

In May 2024, the XRB introduced NZ IFRS 18 Presentation and Disclosure in Financial Statements (NZ IFRS 18) (effective for annual reporting periods beginning on or after 1 January 2027).

This standard replaces NZ IAS 1 Presentation of Financial Statements (NZ IAS 1) and primarily introduces a defined structure for the Statement of Profit or Loss and Other Comprehensive Income, disclosure of management defined performance measures (a subset of non-GAAP measures) in a single note together with reconciliation requirements. The Group has not early adopted this standard and is yet to assess its impacts.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2025. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All transactions between Group companies are eliminated on consolidation.

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

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

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

Revenue

The Group derives revenue from delivering a range of weather services that directly support the safety of life and property. Revenue is recognised when control of a good or service transfers to the customer. The Group has segregated its revenue streams into portfolios. Sales are made with a standard term of 30 days.

For each contract portfolio the five-step method was applied to assess the impact on revenue recognition.

Contracts with Customers - revenue recognised over time

- Forecasting data and licence—Over Time
- Revenue for the provision of forecasting data is recognised over the period the data is provided. Revenue for licences is recognised over the defined term that access is granted.
- Business to consumer—Over Time
- Revenue is recognised over the period of time in which the advertising space is made available on our website
- Consultancy—Over Time
- Revenue is recognised over the period that the service is received.
- Grants—Over Time
- Revenue is recognised over the period of the project, measuring progress towards completion based on costs incurred to date.

Contracts with Customers - revenue recognised at a point in time

- Hardware and one-off data sales—Point in Time
- Revenue for hardware or data sold is recognised when the customer obtains control of the hardware or data.

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

Government grants

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

Research & Development tax credits

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

Interest income

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

Borrowings

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

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

Inventories

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

Property, plant, and equipment

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

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

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

Depreciation

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

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

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

Land & Buildings	2.5%–33.3%
Meteorological Equipment & Plant	2.5%–33.3%
ICT Equipment, Vehicles & Furniture	8.0%–33.3%

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

Leases NZ IFRS 16

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

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

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

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired investment at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units (CGU) or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

Internally-generated intangible assets - computer software.

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged as expenses in the Statement of Profit or Loss and Other Comprehensive Income in the period in which it is incurred.

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

Research and development costs

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all 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.

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

Employee benefits

Remuneration

The Board and management are committed to remuneration practices that are fair, transparent and appropriate, and which contribute to strong governance, shareholder value and Group performance. This starts with MetService's Remuneration Policy which is developed under the supervision of the Board's People, Culture & Remuneration Committee and approved by the Board.

MetService's Remuneration Policy sets out the remuneration principles applying to all employees and is designed to ensure that MetService meets the strategic policy objective of attracting, rewarding and retaining staff with the requisite skills and capabilities to ensure our successful business outcomes.

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 the Executive Leadership Team, and budget parameters for the annual pay review. Employee fixed remuneration comprises a base salary, Employer Kiwisaver contributions (for participating employees), a fifth week of annual leave, Group Income Continuance insurance as well as other work-related benefits such as a broadband allowance. Remuneration is reviewed yearly for our people, with any changes based on market movement and performance, effective from 1 July.

MetService does not offer a Long-Term Incentive scheme however members of the Executive Leadership Team and the Chief Executive Officer are invited to join a Short-Term Incentive (STI) scheme which forms part of the employment agreement and is an at-risk component of their Remuneration. STIs are designed to recognise and reward high performance with cash incentives. STIs have a maximum potential level set of 25% of fixed remuneration and are based on performance measured against key performance indicators (KPIs), which generally consist of strategic company objectives, executive team performance and individual objectives. Our sales people have the opportunity to be part of a sales incentive scheme based on performance.

Wages and salaries and annual leave

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

Termination leave

The liability for termination leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Tax

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

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Foreign currencies

Functional and presentation currency

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

These financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

Transactions and balances

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

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

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

Group companies

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

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

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

Financial instruments

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

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

Financial assets

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Statement of Cash Flows

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

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

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

Financing activities: are activities that result in changes in the size and

composition of the contributed equity and borrowings of the entity, including dividends paid.

Goods and Services Tax

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

Share Capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

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