C.24

Statement of Corporate Intent 2023/24-2025/26

June 2023

MetService
TE RATONGA TIRORANGI

Contents

FIGURES AND TABLES

1 Introduction

The Meteorological Service of New Zealand Limited's - Te Ratonga Tirorangi (MetService) role is to '**help keep people safe and make informed decisions, based on the weather.** This reflects our 162-year history of providing New Zealanders with timely and accurate weather information that is relevant to their circumstances. Today, as our climate changes, MetService is increasingly focused on the impacts of extreme weather on people's lives, our communities, and our economy, as well as the different needs and preferences across our audiences and customer base.

We achieve our purpose by combining high-quality weather observations and computer modelling with world-class meteorological expertise, to provide services around the clock, 365 days a year. We provide our customers the right information, in the right way, at the right time, enabling them to make accurate decisions on how the approaching weather will impact their safety and productivity.

As a State-Owned Enterprise (SOE), MetService conducts all its business on a fully commercial basis while also focusing on benefits to our society and on being a 'good employer.' Our public-safety weather services are provided as New Zealand's National Meteorological Service under contract with the Ministry of Transport. This approach, along with the commercial discipline associated with our SOE status, delivers exceptional value and economic benefit to New Zealand.

2 Objectives and Business Activities

2.1 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.

2.2 Nature and Scope

In its role as New Zealand's National Meteorological Service, MetService is responsible for delivering a range of weather services that directly support the safety of life and property. This includes forecasts and warnings of adverse weather tailored to the needs of the general public, the maritime community, and the aviation sector, within New Zealand and in the wider South Pacific region.

New Zealand's complex geography presents a unique set of challenges with respect to meteorology and oceanography. MetService maintains a national focus across its public-safety services, ensuring that the public is well-advised of weather-related hazards whether they are in the main centres or in more sparsely populated regions.

As a SOE, MetService is also required to provide its services in a wholly commercial context to drive the company based on business disciplines of continuous improvement and efficiency, as well as to provide opportunities for additional income from new customers that would benefit from MetService's capabilities.

MetService's dual responsibilities for public safety and commercial success are complementary, and together they support a unique position globally amongst other National Meteorological Services and commercial weather companies.

As New Zealand's National Meteorological Service, MetService provides:

- Weather observing, forecasting, and severe weather warning services that meet the requirements of the Meteorological Services Act (1990).

- Representation of New Zealand at the UN World Meteorological Organization (WMO), International Civil Aviation Organisation (ICAO) and The Secretariat for the Pacific Regional Environment Programme (SPREP).

- Support to national security, resilience, search and rescue, and the civil defence and emergency management system.
- Forecasting services for the New Zealand aerospace industry, domestic and international aviation operators, and the Royal New Zealand Air Force. These services include volcanic ash advisory services and are delivered on behalf of the New Zealand Civil Aviation Authority (CAA), subject to the requirements of the UN International Civil Aviation Organization (ICAO).
- Access to comprehensive weather information for public and business customers through radio and TV media channels and MetService's digital platforms, including web, mobile and Application Programming Interfaces (APIs).
- Media weather graphics for broadcast television, print and online media services nationally and internationally.
- Domestic and international specialised forecasting and consultancy services for central and local government, and for industries affected by weather and related and risks, including transportation, marine, health, energy, retail, construction, agriculture, and mining.
- Scientific research and development in weather and ocean modelling, with emphasis on weather-related events and impacts. Our development work includes training and capacity development in the Pacific.

3 Strategic Direction

During this business planning period, MetService will continue to execute its five-year strategy, developed in FY2020/21, to optimise our business and increase the value and benefit delivered to society and our customers. The strategy will build a better business, modernise our systems and processes, and lead to closer collaboration and partnering across agencies and organisations committed to public safety and the management of national risks. We will achieve this by focusing on the four strategic objectives set out below.

Strategic Objective 1

Lead on weather impacts, supporting the safety and resilience of New Zealanders in a changing climate.

As climate change drives an increase in severe weather events, and rising sea levels increase the vulnerability of coastal communities, MetService will continue to support the safety of New Zealanders through expert advice on the impact of adverse weather and environmental conditions. To ensure that our customers benefit from outstanding forecasting services, we will continue to advance our capabilities in environmental observing, modelling, and forecasting. These will be supported by systems that optimise human expertise and automation and that are customer-driven, using agile innovation methodologies.

We will continue to grow our contribution to national resilience, building relationships providing support to national and regional civil defence and emergency management groups through a collaborative approach. We will enhance our severe weather warning system, drawing on lessons from the weather events of early 2023, to ensure effective, actionable information about severe weather impacts is available to all New Zealanders.

The pace of implementation of these initiatives will depend on our resources.

Strategic Objective 2

Improving the way, we work with, and engage, Māori to build trust and relevance.

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

MetService has committed to change the way we work with Māori and engage more effectively to build trust and relevance. We will do this in line with Te Tiriti o Waitangi and the Treaty principles, guided by our Rautaki Māori.

Strategic Objective 3

Deliver a customer-first operating model that supports a scalable business.

MetService's long-term approach to product development will be driven by public safety, national resilience, and the changing needs of our customers in the markets we serve. A critical aspect of our five-year strategy is to embed a customer-led approach in all our activities. We will continue to evolve this approach with a focus on improved digital delivery, scalable products, product partnerships and sector leadership. In international markets where we currently have a presence, we will continue to identify opportunities to leverage our competitive advantage.

Strategic Objective 4

Optimise the way our business operates to drive improved profitability, capability, and efficiency.

This strategic objective incorporates two distinct workstreams: becoming a high-performing organisation through development of our people and culture and improving the efficiency and effectiveness of our business systems and processes. Both workstreams will reflect the target operating model developed in FY2022/23, which is being implemented as part of our Te Pae Tata transformation programme.

We will take a deliberate and planned approach to delivering our people strategy to deliver a high-performance culture, strong employee engagement, and improved leadership capabilities. We will continue to optimise our business performance through a focus on process efficiency, implementation of our digital strategy, optimising our key external relationships, and improving agility and cross-team collaboration.

4 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 six areas have been identified as being critical to overall sustainable business performance, based on the Integrated Reporting Framework, and are the basis for the business performance targets included in this Business Plan.

Our Scientific Expertise

Strengthen our ability to support a resilient nation in a changing climate by developing our scientific expertise and ensuring we remain at the forefront of meteorology and oceanography in our operational practice.

Our Digital Infrastructure

Ensure that our technology platforms, data management systems and supporting digital infrastructure enable us to extend our reach and deliver scalable products and services quickly to satisfy the changing needs of our customers.

Our Customers, Partnerships and Relationships

In New Zealand, grow and strengthen our partnerships with iwi Māori, our customers, and stakeholders. Internationally, strengthen strategic relationships with customers, partners, and stakeholders, this includes National Meteorological Services and UN agencies.

Our People

Our culture inspires our people about our future. They feel included, empowered, and work in ways that allow them to use their expertise to make a positive impact every day.

Our Finances

Deliver value to our shareholders through strong business performance and sound financial management.

Our Environment

Reduce the impact of our business on the environment through sound practices and new services or initiatives that promote environmental awareness.

5 Commercial Value of the Crown's Investment

At 30 June 2023, the Board's estimate of the current commercial value of the Crown's investment in MetService is in the range of $54 million to $62.6 million (if a point-value needs to be taken, the mid-point is $57.5 million). At 30 June 2022, the valuation was in the range of $53.1 million to $63.4 million, with a mid-point of $57.5 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 8.2% (30 June 2022- 7.7%).
- The valuation was prepared by Deloitte and approved by the MetService Board.

6 Ratio of Consolidated Shareholders' Funds to Total Assets

MetService projects a 53.23% ratio of consolidated shareholders' funds to total assets (equity ratio) as at 30 June 2026.

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	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	Actual	Forecast	Forecast	Forecast	Forecast
Shareholders' Funds	22,742	23,855	25,725	27,392	29,511
Total Assets	47,455	48,536	51,065	52,896	55,443
%	47.92	49.15	50.38	51.79	53.23

7 Dividend Policy and Capital Structure

Dividend Policy

MetService's dividend policy has been to pay out dividends between 15% and 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 timing of the aviation sector recovery post-COVID and the extent of the impact of an economic downturn will determine the company's ability to pay a dividend in this SCI period. The SCI does assume that the aviation sector will recover to pre-COVID levels by 2024/25 financial year. Under those assumptions it is anticipated that MetService will resume paying dividends from the 2024/25 financial year in line with the current dividend policy.

The Board of Directors will review this policy on a regular basis.

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.

8 Relationship with Shareholding Ministers

8.1 Information to be Provided

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.

8.2 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.

8.3 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.

8.4 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.

8.5 Accounting Policies

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

9 Performance Targets

9.1 Overall Performance Targets

Our Scientific Expertise	2022/23	2023/24	2024/25	2025/26
	(Actual at Mar 23)	(BP)	(BP)	(BP)
Strengthen our ability to support a resilient nation in a changing climate by developing our scientific expertise and ensuring we remain at the forefront of meteorology and oceanography in our operational practice.				
Number of employees who are WMO-qualified meteorologists, or scientists with a postgraduate qualification in meteorology, oceanography, or a related discipline	122	>120	>120	>120
% Uptime of weather observing systems (combined radar and Automated Weather Stations) excluding planned maintenance windows to upgrade radars	98.8%	>99%	>99%	>99%
Critical public safety measure of severe weather warning accuracy: Probability of Detection (POD) and False Alarm Ratio (FAR) of broad-scale warnings				
POD[1] Heavy Rain	92%	> 90%	> 90%	> 90%
POD Severe Gales	93%	> 90%	> 90%	> 90%
POD Heavy Snow	86%	> 90%	> 90%	> 90%
FAR[2] Heavy Rain	15%	< 15%	< 15%	< 15%
FAR Severe Gales	9%	< 25%	< 25%	< 25%
FAR Heavy Snow	18%	< 25%	< 25%	< 25%

Our Digital Infrastructure	2022/23	2023/24	2024/25	2025/26
	(Actual at Mar 23)	(BP)	(BP)	(BP)

Ensure that our technology platforms, data management systems and supporting digital infrastructure enable us to extend our reach and deliver scalable products and services quickly to satisfy the changing needs of our customers.				
Average number of monthly unique viewers across metservice.com and MetService mobile apps	1.3 million	1.4 million	1.5 million	1.6 million
Increased Followers on our main social media channels	19.18%	7%	7%	7%
Total digital maturity (Deloitte digital maturity index benchmarked maturity scale of 1 to 5)	2.8	3.0	3.3	3.8
Our Customers, Partnerships and Relationships	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	(Actual at Mar 23)	**(BP)**	**(BP)**	**(BP)**
In New Zealand, grow and strengthen our partnerships with iwi Māori, our customers, and stakeholders. Internationally, strengthen strategic relationships with customers, partners, and stakeholders, this includes National Meteorological Services and UN agencies.				
Number of effective and managed relationships with iwi, Māori businesses or community groups	8	6	6	6
Increase in brand recognition through percentage of respondents in annual survey having a 'good' understanding of what MetService does	55%	55%	60%	65%
Number of Regional Councils with access to a flood modelling service that is integrated with the Severe Weather Warning System rainfall forecasts	New measure	2	4	8
Customer satisfaction survey with improvement actions identified	New measure	Benchmark to be defined in 2023/24		
Number of employees who have contributed to WMO or ICAO constituent bodies (e.g., technical commissions, working groups and expert panels)	16	15	15	15

Our People	2022/23	2023/24	2024/25	2025/26
	(Actual at Mar 23)	(BP)	(BP)	(BP)
Our culture inspires our people about our future. They feel included, empowered, and work in ways that allow them to use their expertise to make a positive impact every day.				
Internal Māori capability is increased including in leadership roles	New measure	75% learning completions and pass rates met	80% learning completions and pass rates met	75% or more of our people are assessed at a 'competent level'
MetService's overall engagement score moves into the top 25% [improved measure compared to 2022/23]	Benchmark to be defined	Engagement Score Target of 60%	Engagement Score Target of 65%	Engagement Score Target of 75%

Our Finances	2022/23	2023/24	2024/25	2025/26
	(Actual at Mar 23)	(BP)	(BP)	(BP)
Deliver value to our shareholders through strong business performance and sound financial management.				
Cash flow from Operating Activities ($000)	9,894	9,872	10,513	11,622
EBIT ($000)	2,202	3,500	4,560	5,326

Our Environment	2022/23	2023/24	2024/25	2025/26
	(Actual at Mar 23)	(BP)	(BP)	(BP)
Reduce the impact of our business on the environment through sound practices and new services or initiatives that promote environmental awareness.				
Internal environmental impact: overall reduction in MetService carbon footprint	new target	Carbon footprint and targets to be defined in 2022/23. Toitū base year audit in progress.		

Table 1 – Overall Performance Targets

9.2 Financial Performance Targets

Financial Performance Targets provide a representative view of the projected financial performance of MetService.

	2022/23	2023/24	2024/25	2025/26
Financial Performance Targets	(Forecast)	(BP)	(BP)	(BP)
1. Shareholder Returns				
Total Shareholder return	0.0%	0.0%	2.1%	2.2%
Dividend yield	0.0%	0.0%	2.1%	2.2%
Dividend pay-out	0.0%	0.0%	11.3%	11.1%
Return on equity (ROE)	4.8%	7.5%	10.7%	12.0%
Return on funds employed	6.5%	9.9%	12.3%	13.7%
2. Profitability / Efficiency				
NPAT	1,112	1,870	2,851	3,403
EBIT	2,202	3,500	4,560	5,326
EBITDA	9,614	11,241	12,301	13,367
Asset turnover	1.37	1.42	1.42	1.44
Operating margin (EBITDA)	14.6%	15.9%	16.7%	17.1%
Operating margin (EBIT)	3.3%	5.0%	6.2%	6.8%
3. Leverage / Solvency				
Gearing ratio (net)	15.6%	10.9%	12.3%	10.5%
Interest cover	17.26	17.29	20.50	22.28
Solvency	1.13	1.29	1.24	1.25
Debt coverage ratio	4.77	3.00	2.30	1.97
4. Bank Covenants				
Interest Cover ratio* (>3)	22.49	22.48	27.33	29.71
Total Leverage ratio (<3)	0.46	0.28	0.31	0.26
5. Growth / Investment				
Revenue growth	2.4%	7.2%	4.6%	5.7%
EBITDAF growth	-0.8%	16.9%	9.4%	8.7%
NPAT growth	-792.8%	68.1%	52.5%	19.4%
Capital renewal	1.15	1.11	1.29	1.24

Table 2 – Financial Performance Targets

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

Notes to the Financial Performance Targets are in Appendix A.

Appendix A: Notes to Performance Targets, Acronyms and Abbreviations

Notes to Financial Performance Targets

Shareholder Returns

Measure	Description	Calculation
Total shareholder return	Performance from an investor perspective – dividends and investment growth	(Commercial value $_{end}$ *less* Commercial value $_{beg}$ *plus* dividends paid less equity injected) / Commercial value $_{beg}$
Dividend yield	The cash return to the shareholder	Dividends paid / Average commercial value
Dividend 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

Table 3 – Notes: Shareholder Returns

Profitability, Efficiency

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

Operating margin (Normal Trading)	The profitability of the company per dollar of revenue from normal trading	Normal Trading EBIT / Revenue
Operating margin (EBIT)	The profitability of the company per dollar of revenue	EBIT / Revenue

Table 4 – Notes: Profitability, Efficiency

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

Table 5 – Notes: Leverage, Solvency

Growth, Investment

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

Table 6 – Notes: Growth, Investment

Notes to Non-Financial Performance Targets

<table>
<tr><th>Measure</th><th colspan="2">Description /Calculation</th></tr>
<tr><td>Probability of Detection (POD)</td><td>The ratio of correctly forecast severe weather events to actual events observed</td><td rowspan="2">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</td></tr>
<tr><td>False Alarm Ratio (FAR)</td><td>The ratio of forecast severe weather events that did not occur (false alarms) to the number of events forecast</td></tr>
<tr><td>Uptime of weather observing systems</td><td colspan="2">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.</td></tr>
<tr><td>Effective relationships with iwi, Māori businesses or community groups</td><td colspan="2">Effective should reflect authenticity, collaboration, longevity, and MetService’s Treaty responsibilities.</td></tr>
<tr><td>Increased Followers on out social media channels</td><td colspan="2">MetService exceeds an overall average annual growth in Followers across its three primary social media channels (Facebook, Twitter, and Instagram).</td></tr>
</table>

Table 7 – Notes: Non-Financial Performance Targets

Appendix B: Accounting Policies

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

Basis of preparation

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

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

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

Standards adopted for the first time

Not Applicable.

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

None.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries. 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:

Contracts with Customers - revenue recognised over time

- Forecasting data and licence
- Business to Consumer
- Consultancy
- Grants

Contracts with Customers - revenue recognised at a point in time

- Hardware and one-off data sales

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 - 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 at the time the service is delivered.

Grants - Over Time

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

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.

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

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

Property, plant, and equipment

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

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

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

Depreciation

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

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

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

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.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired investment at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units (CGU) or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income are not reversed. Gains and losses on the disposal of a CGU or portion of a CGU include the carrying amount of goodwill relating to the CGU or portion of a CGU sold.

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset, and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Internally-generated intangible assets - computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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

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

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

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

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

Leases NZ IFRS 16
The Group leases various land and building sites and IT equipment under lease arrangements. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

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

The finance cost is charged to the Profit or Loss Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease extension options were taken into consideration as a result of the adoption of NZ IFRS 16. When the Group recognises a lease as a lessee, it assesses the lease

term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise any extension or termination options. It then uses the expected modified term under such options if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognised as a right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration provision

Restoration costs include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas. The restoration costs are based on management's best estimate of the amount required to settle the obligation. Reestimates of the restoration provision are capitalised as part of the Right-of-Use Asset. Other movements are recognised as profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Employee benefits

Remuneration

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

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

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

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

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

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

Tax

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

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

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

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

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

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

Foreign currencies

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

Transactions and balances

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

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

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 or loss in the Statement of Profit or Loss and Other Comprehensive Income.

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

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

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

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

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

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

Statement of Cash Flows

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

- Operating activities: are the principal revenue-producing activities of the Group, including interest received and paid and other activities that are not investing or financing activities.
- Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity, including dividends paid.

Goods and Services Tax

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

Share capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

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