

# THE SCIENCE OF WEATHER SAFETY

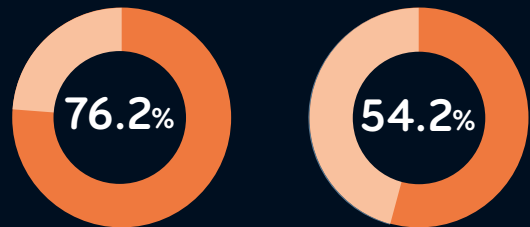
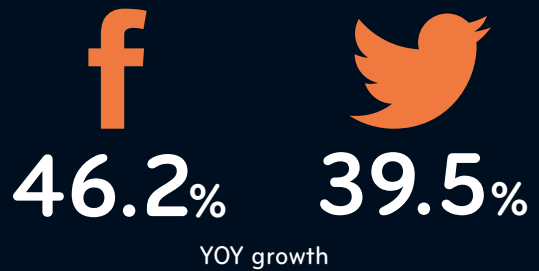




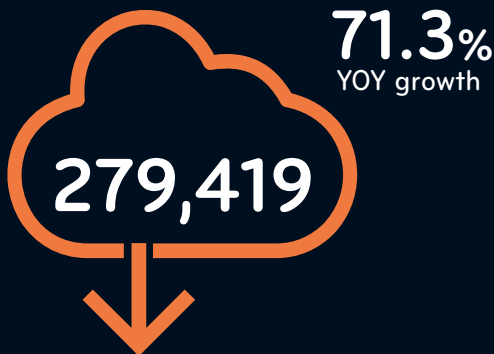
# THE YEAR IN NUMBERS



## SOCIAL MEDIA



Average response rate for user questions



APP DOWNLOADS



1,127,391 182,176

Referrals to website

## M.METSERVICE.COM



METSERVICE TV  
SEVERE WEATHER VIDEO VIEWS



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# REPORT FROM CHAIR AND CEO

The Directors announce a \$1.38M pre-tax profit for the 2014/15 Financial Year, driven by strong year-on-year growth in revenue, excluding MetService's contract with the Ministry of Transport (MoT). Pleasingly, the MoT's successful bid for increased contract funding from Treasury recognises that accurate weather forecasts for businesses, government and the public are essential for minimising risk to life and property.

As reported at half year, confirmation of the new MoT contract was received later than anticipated, impacting on the achievement of planned profit.

The business of weather is changing rapidly to meet the shifting expectations of the public and of commercial customers, creating a challenging environment now and for the years ahead. Infrastructure and technical networks need to

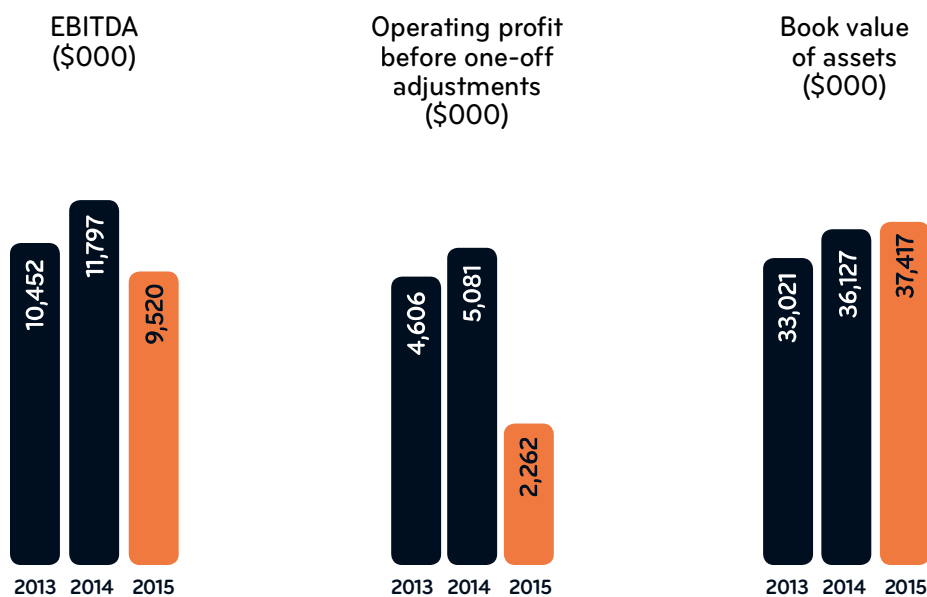
keep pace with an ever-increasing demand for speed and complexity of information, delivered via a host of channels and devices. In the past year alone, the volume of data coming into MetService's forecasting systems has increased by 77%.

Meanwhile, the Wellington earthquakes of July and August 2013 have highlighted the risk of natural disaster affecting New Zealand, and the

importance of reliable delivery of weather services that support public safety. In response to these challenges, MetService will continue to invest profits in high-priority infrastructure, to protect and further enhance our ability to provide essential weather services and meet our commercial objectives as a State-Owned Enterprise.



## Our Finances





**2014/15 WAS A CHALLENGING YEAR FOR REVENUE GROWTH, AND ONE IN WHICH A NUMBER OF INVESTMENTS WERE NECESSARY TO PROTECT METSERVICE'S PUBLIC SAFETY SERVICES AND FURTHER OUR INTERNATIONAL GROWTH PLANS.**

### International growth fuelled by MetOcean collaboration

Positioning MetOcean Solutions as the science partner of MetraWeather in our international markets has seen a significant increase in opportunities opening up for the company in the Marine and Energy sectors – particularly in Australia. A number of product innovations during the year from MetOcean's R&D team, combined with MetOcean's wide range of services and MetraWeather's complementary data and forecasting services, have attracted several key clients in the ports and offshore oil and gas sectors.

### Digital continues to deliver growth at home

Nielsen's NZ Media Trends 2015 report ranks metservice.com at 17th overall, and 11th for New Zealand sites, in its Top 20 Growth Brands list. The last quarter of the 2014/15 year also saw significant growth in traffic to MetService websites: over the April-June 2015 period, Average Daily NZ Unique Browsers (Nielsen Online Rankings) on metservice.com grew by an average of 29% YOY and by an average of 68% YOY on the mobile website m.metservice.com. Meanwhile, application downloads across Apple, Google and Windows devices grew by 71.3% YOY, buoyed by the launch of a new Snow Weather app at the start of July 2014. Hitting another new record, MetService TV surpassed 2.5m views in May 2015.

The delayed confirmation of the new MoT contract impacted the financial results, with a full-year pre-tax profit of \$1.38m, 67.5% below target for the year and 67.5% below last year's pre-tax profit result.

MetService's EBITDA for the 2014/15 year was down \$2.3m to \$9.5m (\$11.8m in 2013/14). Operating Revenue was \$46.05m, up 0.9% from \$45.6m in 2013/14 and, as indicated in the half-year outlook, full-year Net Surplus of \$911k was \$2.1m below business plan.

Excluding the MoT contract, commercial revenue was 7.2% above prior year, driven by year-on-year (YOY) growth in most sectors. The stand-out performers were Interactive (+12% YOY); Industry and Marine (+15% YOY) and Energy (+37% YOY). Expenses for the year increased by 7.9%, reflecting the company's investment in our international growth strategy and our commitment to maintaining services of key importance to New Zealand public safety. Major contributors to the YOY increase in expenditure were data acquisition (+49%); IT costs (+26%) and depreciation (+8%).

5.2

% Return on Equity  
2014/15

6.5

% Return on Funds  
Employed 2014/15

4.9

% Operating Margin  
2014/15

 Our Networks

# NEW ZEALAND'S FIRST WEATHER-ACTIVATED VARIABLE SPEED SIGNS

MetService provides the New Zealand Transport Agency with forecasts, weather observations, warnings and alerts of weather conditions, to help keep road users safe.



MetService and the NZ Transport Agency have a long-standing and strong partnership, with public safety at its core. In late 2014, our two

organisations collaborated to initiate New Zealand's first weather-activated speed sign trial.

State Highway 29 stretches over the Kaimai Ranges linking the Bay of Plenty and Waikato regions and is known for its unpredictable weather, steep landscape and high crash rate. Over 70% of crashes on SH29 happen in wet weather, and over 40% of these are caused by drivers driving too fast for the conditions.

To encourage drivers to lower their speed in adverse weather, the Transport Agency now sets the speed limits displayed on roadside visual message boards based on weather alerts and

observational data from MetService, along with footage from four cameras.

This two-year trial involves 22 electronic variable speed signs being placed on SH29 between Waikato and Tauranga. Advanced messaging will give drivers notice that the variable speed signs are active and speed limits have been reduced.

MetService is proud to be contributing to the Government's road safety strategy by enabling the use of specialised information on adverse weather conditions, and we will continue to extend our partnership with the Transport Agency through new public safety initiatives.



# 9k

Approximately 9,000 vehicles travel over the Kaimai Range daily, including around 1,300 heavy vehicles.



# >70

%

of the crashes on SH29 happen in wet weather, and over 40% of these are caused by drivers driving too fast for the conditions.



# 22

There will be 22 electronic variable speed signs and four web cameras placed between the SH28 junction on the Waikato side and Soldiers Road on the Tauranga side.



### One stop shop for current weather conditions

Launched on [metservice.com](http://metservice.com) in December 2014, in collaboration with the UK Met Office, MetService's crowd-sourced weather observations platform 'Your Weather' has proven to be very popular with the New Zealand public. The launch generated significant media interest, including features on TVNZ's One News and in several major newspapers, and both viewership and participation have remained high. As at 30 June 2015, 'Your Weather' map pages generated over 398,000 page views and now feature more than 220 active private weather stations from around the country, alongside the 97 MetService-owned stations. The most recent additions in June 2015 saw inclusion of the NZ Transport Agency's traffic camera images and data from the 46 road weather stations we operate on their behalf, along with data from two stations operated for the Hastings and Kapiti District Councils and 29 Northland Regional Council stations.



### Move to mitigate lightning hazards

In September 2014, MetService's international subsidiary MetraWeather partnered with GPATS, Australia's largest lightning detection network, to sell its world-leading technology solutions as part of MetraWeather's weather intelligence services to Australia's mining, energy and offshore oil and gas industries. In Australia each year, lightning accounts for 5–10 deaths and well over 100 injuries, and damage from lightning is estimated to cost A\$6–10 million. With more than 50 ground-based sensors networked to detect and accurately locate lightning storm events, MetraWeather's customers now have access to arguably the most accurate and far-ranging detection services available across Australia.



## Our People



### Talent with heart

MetService employees are community-minded, evidenced by the number of ways in which they have contributed at a personal level during the year. One example is Auckland Meteorologist Georgina Griffiths, who took the opportunity to appear on Sanitarium's 'I believe in breakfast' advertising campaign and donated her appearance fees to the Neurological Foundation. Other staff members contributed time through MetService's Community Day initiative, helping organisations such as Ronald McDonald House and Zealanda. A new project is now underway to raise funds through Entertainment Book sales for a group of outdoor safety-focused organisations selected by MetService staff, with promotional support on [metservice.com](http://metservice.com) and the MetService Facebook page.



### Local recognition for world-class training

During the year nine new meteorologists graduated from MetService's Meteorologist Training Course, and have now joined MetService's operational forecasting team. The training programme, recognised by the United Nations' World Meteorological Organization (WMO) and run jointly by MetService and Victoria University of Wellington, has this year been granted accreditation as a Master of Meteorology degree programme from 2016 – the first such degree to be offered in New Zealand. Three experienced meteorologists from overseas also joined the company in September, becoming members of the forecasting team after completing a condensed programme of study to familiarise themselves with the NZ weather environment.



### Forecasters go front and centre with the public

During the year MetService launched a new forecaster shift focused specifically on supporting the media, as well as interacting with the public on social media, technical tours and other outreach activities. The new 'Media Shift' is now a 7-day operation and has sparked a noticeable increase in social media engagement (see more about this in Our Relationships). Working alongside this core team of forecasters are our Communications and Broadcast meteorologists, who spearhead our efforts to tell compelling and authoritative weather stories through our relationships with journalists and for professional broadcast presentation.



# 89.7

% Share of voice of all NZ weather news media coverage



# \$205,186

Advertising value donated on [metservice.com](http://metservice.com) to not-for-profit organisations



### RNZAF training and support at Ohakea

The New Zealand Defence Force is a key customer for MetService, requiring a high degree of 'hands-on' professional meteorological support to ensure the safety of its operational personnel. During the year our team of aviation forecasters and meteorological trainers delivered a wide range of face-to-face training programmes for Defence Force staff. These included a Flying Instructors' Course at the RNZAF Central Flying School and the 'Wings' course at Pilot Training Squadron, both in Ohakea; onsite meteorological briefings for the 'WiseOwl' deployment at Nelson Airport, run by the Pilot Training Squadron; and regular fortnightly meteorological briefings at Ohakea.





## Our Expertise



### MetOcean Solutions delivers marine sector innovations

Vessel roll motion is a major operational challenge for the increasing number of floating oil and gas production facilities off continental shelves and deep-water locations around the world. Poor weather can cause costly delays and damage, especially when conditions are not expected and precautionary action is not taken. To address this need, MetOcean Solutions launched Offshore Motion Forecasts, an innovative forecasting capability that will help the oil and gas industry in Australia better prepare for the impacts of marine weather by delivering reliable hour-by-hour predictions on how waves, currents and weather conditions will affect floating offshore facilities.



### Sun and lightning do mix

In September 2014, MetraWeather announced new weather systems at Eastern Australia's Energy Markets Outlook (EAEMO) conference in Sydney, including new rapid updates of solar radiation forecasts for Australian cities and solar farms, and nationwide lightning forecasts and alerts. MetraWeather scientists have devised a way to estimate real-time solar radiation and total energy production, by combining a number of different data sources and calibrating their results with robust measured data. This new data is not only helping clients tune their own models, it is helping MetService to fine-tune forecast models and update them more frequently.



### Full steam ahead for aviation resilience programme

September 2014 was the first anniversary of a major project to increase the resilience of the company's aviation services by migrating to new production systems. Under this project, a team of developers and aviation forecasters have begun replacing MetService's aviation forecasting systems using IBL's Visual Weather software. Dedicated IBL training and research environments have been set up in MetService's Wellington office and forecast production capability has been stepped up in our Auckland, Australia and UK offices. In June 2015, MetService commenced use of the Visual Weather system for forecasting services provided to the international aviation community from its Wellington Volcanic Ash Advisory Centre (VAAC). This was an important milestone for MetService, marking the first stage of migration of our aviation services off legacy production systems, as well as enabling the Wellington VAAC to provide a new backup service to the Darwin VAAC.



93  
%  
Probability of Detection (POD) of severe gales, 12% False Alarm Ratio (FAR)



94  
%  
Probability of Detection (POD) of heavy rain, 13% False Alarm Ratio (FAR)



100  
%  
Probability of Detection (POD) of heavy snow, 12% False Alarm Ratio (FAR)



## Our Environment

# AN ENVIRONMENT-SAVING TOOL BORN FROM COLLABORATION

Most of New Zealand's 11,000km of state highways and 50,000km of local roads are sealed in 'chipseal' – a thin layer of aggregate chip set in bitumen. Maintaining New Zealand's roading infrastructure costs over NZ\$500m every year and although it is necessary for economic development and road safety, bitumen laying is a hot, dangerous process that has adverse effects on the environment.

Downer New Zealand is a leading provider of engineering and infrastructure management services in New Zealand. The company's specialist research and design facility, Road-Science, has created new-generation emulsion products as alternatives to hot bitumen that are safer and less harmful for the environment. However, the successful application of the emulsified bitumen is highly weather-dependent.

During 2014/15, MetService collaborated with Road Science to establish the environmental matrix and parameters required to ensure the application of this robust, long-lasting roading material. This involved

MetService integrating observed data from over 200 weather stations with historical weather modelling data to deliver incredibly accurate guidance about the road sealing 'window of opportunity' for roads in any forecast location in the country.

MetService developed an algorithm that enables Road Science to plan, with a high-level of accuracy, when environmental conditions will enable the most successful application of their emulsified product.


Through this MetService and Road Science collaboration, an innovative new online tool called 'Should I Seal' was born. 'Should I Seal'

allows Downer's road management contractors to be confident that their application is appropriate for the impending weather conditions. Workers can use the tool on their PCs, smartphones and tablets delivered by a Cloud-based web service from MetService. A dashboard with simple icons shows whether it is safe to seal on a particular day.

'Should I Seal' has revolutionised the emulsion sealing process by integrating forecasting technology to reduce the risk of compromised road surface construction and environmental damage through wash-off from rain events.



50k  
km Length of local roads that are sealed in chipseal.



>200  
Number of weather stations from which observed data was taken to provide guidance about the road sealing 'window of opportunity' in any forecast location in the country.





**'Should I Seal' has revolutionised the emulsion sealing process by integrating forecasting technology.**







## Our Relationships

# METOCEAN SOLUTIONS PARTNERSHIP OPENING DOORS

Since MetService acquired a 49% stake in leading New Zealand oceanographic company MetOcean Solutions Ltd 18 months ago, a strong and successful commercial partnership has developed between the two organisations.

Weather provides more than its fair share of challenges for businesses operating in the marine environment. Critical weather-based decisions can make all the difference when it comes to the safety and efficiency of the task at hand.

Combining MetOcean's specialist expertise in oceanography with MetService's core forecasting capability and 24/7 operational infrastructure has positioned international subsidiary MetraWeather as a leading provider of innovative forecast solutions to increase safety, risk management and efficiency for offshore, ports and harbour operations. MetService has also recently established a commercial marine forecasting desk, supported by the MetOcean team, dedicated to providing consultancy services to marine customers.

MetraWeather's Australian and UK teams have worked closely with MetOcean to provide a portfolio of weather forecasting products and services to the offshore oil and gas and port operations sectors. Through this strong partnership, a number of high-profile overseas customers have been acquired throughout the year.

As a result, MetraWeather now provides real-time weather and marine forecasting information to improve safety within one of Australia's growing port networks. Ongoing forecasts are also being provided to a number of offshore oil and gas operators in Western Australia, while Queensland counterparts receive weather guidance to assist operational planning, ensure the safety of pilots, crews and onshore personnel and to mitigate the risks of extreme weather events on port infrastructure and assets.

Recently, offshore forecasting services were also provided to a client operating an oil and gas platform at risk of being hit by wind gusts of 100km per hour or more from an approaching storm. MetService forecasters worked closely with platform operators to determine their requirements and operational thresholds. A successful wind gust and wave height forecast guidance solution was devised to inform safe decision-making for platform procedures such as docking and unloading, and for support vessel operations.



At the very end of the 2014/15 year, MetraWeather was also successful in its bid to supply a major global group of energy and petrochemical companies with marine and weather forecasting services for its Australian operations. This service is a key 24/7 decision-making solution that assists the safety, planning and efficiency of all operations at sea, on land and in transit.

The delivery of all these services is based on the combined expertise, experience and industry knowledge of the teams from MetOcean and MetService, working together to provide innovative science-based solutions that inform sound decisions and maximise operational efficiencies.





## SOCIALLY DEVOTED TO PUBLIC ENGAGEMENT

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MetService has continued to focus on social media as a key channel for public engagement. The company grew its social media audience significantly over the year in review; as at 30 June 2015, Facebook fans had increased by 46% over the previous year and Twitter followers by 39%.

A particularly useful measurement introduced this year is 'social devotion' – how responsive we are to questions asked on social media. For the 2014/15 year, MetService achieved a 'Socially Devoted' score of 76% response rate to questions on Facebook. A social media indicator devised by Social Bakers,

brands qualify as 'Socially Devoted' for posting engaging, sharable content and responding to followers' questions at least 65% of the time and in a timely fashion. Facebook has now introduced its own similar metrics.

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## LOOKING AHEAD

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The science of weather safety is at MetService's core and drives its philosophy of empowering foresight to its customers, whether they are sophisticated businesses requiring highly specialised decision-making tools to maximise operational safety and efficiency, or everyday citizens wanting to safely make the most of their leisure time.

Our people are behind the science of weather safety, be they the meteorologists that envisage and create the solutions or the support crew that help put those solutions in the hands of the customer and keep our business ticking in other ways. We thank our staff, management and Board members for all that has been achieved during the year, and for their ongoing commitment to our success. We also thank outgoing Chair Sarah Smith and Deputy Chair Greg Cross, who completed their terms on our Board during the year, for the significant contribution they have made over the past eight years. We also welcome Margaret Devlin and Brent Armstrong as new directors.

Over the coming year, our top priority is to strengthen our organisational resilience. It is vital that we can continue to provide our weather safety services to the New Zealand public and to commercial aviation. From the infrastructure that produces, hosts and disseminates this information, to

the meteorologists who prepare forecasts and warnings and the tools they use to do it, we need to ensure this production process continues uninterrupted in the face of natural disasters or technical challenges.

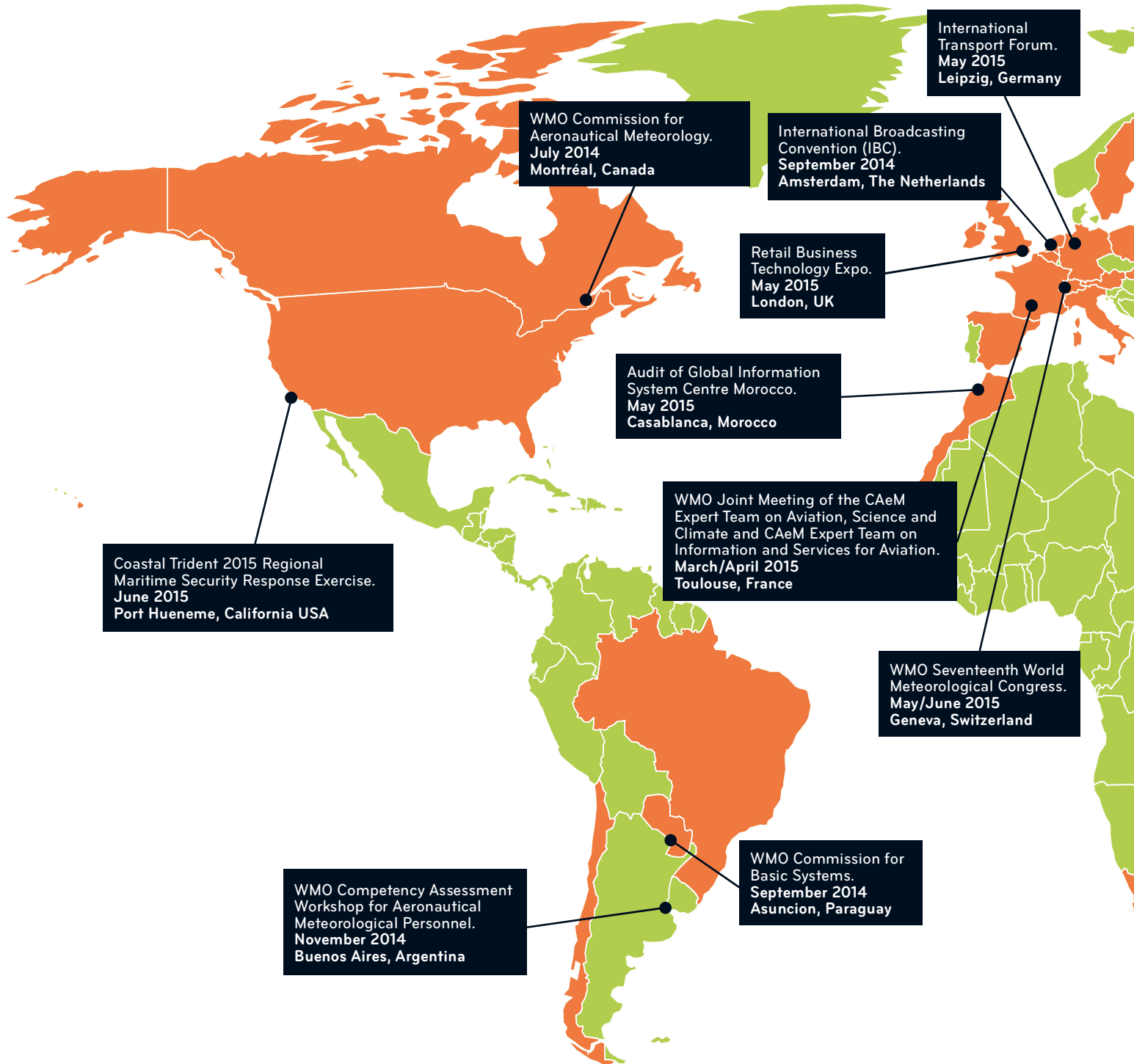
The expertise and technology that provides the strength of this foundation also powers our ability to continue growing internationally, providing business diversification that meets our commercial objectives as a State-Owned Enterprise and ensuring we can continue to invest appropriately in our core weather safety services to New Zealanders.

**Anthony Howard**  
Chair

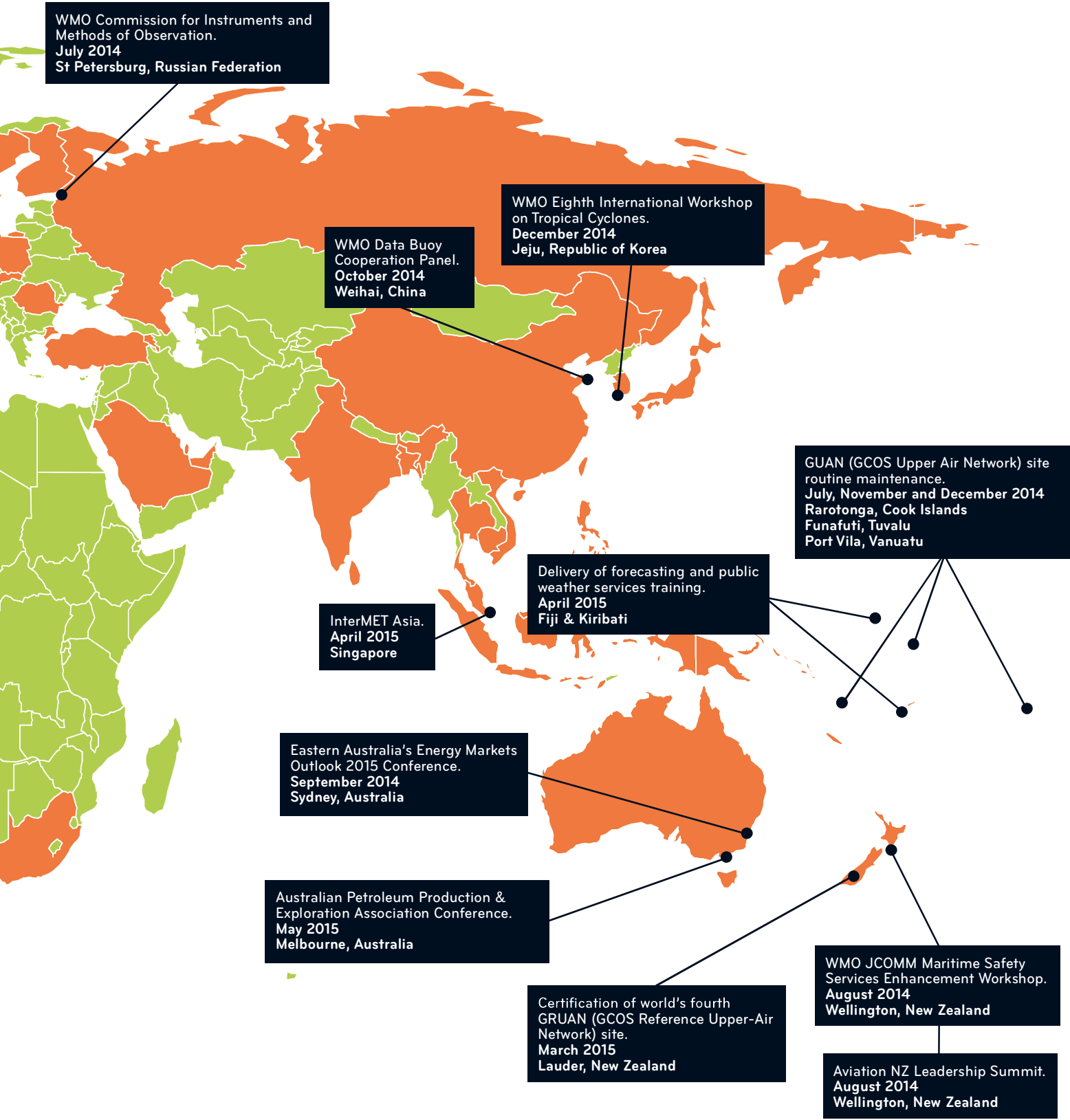
**Peter Lennox**  
Chief Executive



# GLOBAL ACTIVITY FOOTPRINT



■ The MetService Group is active in these countries.





## BOARD OF DIRECTORS



### Anthony Howard Chair

Anthony Howard has great depth and breadth of expertise in strategy development, go-to-market planning and execution, corporate governance, corporate restructuring, M&A, capital raising, company valuations, business strategies and planning. He has particular expertise and passion for facilitating a strong and constructive working dynamic between investors and owners. He is a Member of the Institute of Directors in New Zealand.



### Carlos da Silva Audit and Risk Chair

Carlos da Silva is a Chartered Accountant and professional director. He brings to the Board a wealth of financial management and governance experience. He holds a number of board and trustee roles in the farming, finance, property, IT and fashion industries, and is a Fellow of the Institute of Directors in New Zealand.



### Carolyn Harkess

Carolyn Harkess has held senior leadership positions in sales and marketing, manufacturing and retail industries in New Zealand and internationally. She brings to the Board experience in understanding and managing international markets, assisting organisations in their strategic development, and driving improvement in bottom line results. She is a Member of the Institute of Directors in New Zealand.



### Te Taru White

Te Taru White has over 30 years' senior executive experience across both public and private sectors in the mining, health and indigenous social, cultural and economic development fields. He brings to the Board a science background combined with extensive cultural development and governance experience. He currently runs his own consulting business specialising in international indigenous development opportunities.



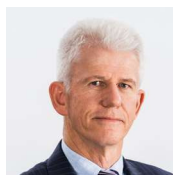
### Judy Kirk

Judy Kirk is an experienced director with a wide knowledge of business, and runs her own consultancy providing strategic advice to organisations. Judy served as President of the New Zealand National Party from 2002–2009, is a Justice of the Peace and was appointed to be an Officer of The New Zealand Order of Merit in the Queen's Birthday Honours 2011 for services to the community. She is currently Chair of the New Zealand Lotteries Commission and is a Member of the Institute of Directors in New Zealand.



### Margaret Devlin

Margaret Devlin is a professional director operating predominantly in the infrastructure and service sectors. She is a member of the National Infrastructure Advisory Board and the Waikato District Council Audit and Risk Committee, and holds a number of board roles in the Waikato region. Margaret is a Chartered Fellow of the Institute of Directors in New Zealand; a member of the Institute's National Council and Professional Committee; and Chair of its Waikato branch. Margaret brings to the Board significant experience in both the retail and infrastructure sectors.



### Brent Armstrong

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





# GOVERNANCE OVERVIEW

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The Directors are pleased to present an overview of the Company's main governance practices.

## Shareholders

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

Each Minister is responsible to the House of Representatives for the performance of the functions delegated to them under the SOE Act. In turn, the MetService Board is responsible to the Shareholding Ministers for ensuring effective corporate governance across the MetService Group. The Ministers' expectations are stated in the Owner's Expectations Manual (published on Treasury's website), and in the letter of expectations sent to each SOE.

## Shareholder communication

MetService provides the Shareholding Ministers with an annual business plan; quarterly reports outlining performance against objectives set out in the Statement of Corporate Intent (SCI); half-yearly accounts; and an annual report including audited annual accounts. The SCI, half-year report and annual report are tabled in Parliament annually. Shareholding Ministers are also kept up-to-date on a regular basis as part of the 'no surprises' policy.

## The Board

The MetService Group's Board may comprise up to nine directors, all of whom must be non-executive and independent. As at 30 June 2015, the Board comprised seven directors. Each director is considered to be independent, in that each is independent of the management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the directors' unfettered and independent judgement.

The Shareholding Ministers appoint directors, and any new directors are appointed under the process described in the Owner's Expectation Manual. Margaret Devlin and Brent Armstrong were appointed in May 2015.

In November 2014 the Board adopted a new Board Charter and Code of Ethics. The Charter sets out the authority, responsibilities, membership and operation of the Board. The Code of Ethics represents an elaboration of the core values of MetService, and is a framework of standards that directors, employees, contractors and advisors of the MetService Group are expected to meet.

In accordance with the Board Charter, the Chair takes the leadership role in the conduct of the Board and

its relationship with the Shareholding Ministers and other stakeholders. The Chair also has a strong working relationship with the Chief Executive. The Chair has no external commitments that conflict with the Chair's role.

## The Board's role

The Board is responsible to the Shareholding Ministers for directing and monitoring the management and affairs of the MetService Group. The MetService Group is comprised of Meteorological Service of New Zealand Ltd, MetraWeather (Australia) Pty Ltd and MetraWeather (UK) Ltd. Under the SOE Act, the MetService Group's principal objective is to operate as a successful business, including:

- to be as profitable and efficient a business as comparable private sector businesses
- to be a good employer
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavoring to accommodate or encourage these when able to do so.

The Board establishes objectives and sets strategy to achieve those objectives. The Board, in the context of the approved policies, risk and compliance framework within which the Group operates, monitors those strategies. The Board has delegated the day-to-day management to the Chief Executive.

The Board is presented annually with a three-year business plan, which is consistent with the agreed strategic objectives of the MetService Group, for approval. The Board closely monitors financial and non-financial performance and compares performance to the annual plan and forecasts at its regular meetings.

## Access to information

In circumstances that warrant additional assurance, in order to assist in carrying out their responsibilities the Board as a whole, and Directors individually, may request independent and additional advice at the Company's expense. Such requests are made in consultation with the Chair and facilitated through the Company Secretary.

## Board meetings

In the last financial year, the Board met 12 times as scheduled (together with additional meetings as required). The Board also holds an annual strategic planning session that considers strategic issues in conjunction with the Chief Executive and the Executive Team.

The Chief Executive and Company Secretary attend all Board meetings. Other managers attend Board meetings in relation to matters specific to their areas of responsibility. Directors have other opportunities, including site visits, for contact with other employees.



## Board committees

The Audit and Risk and Remuneration Committees assist the Board in discharging its responsibilities. Both Committees have formal charters, approved by the Board, setting out their respective responsibilities.

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

All directors are entitled to attend Committee meetings and copies of all meeting papers and minutes are available to all directors. The Chief Executive has a standing invitation to Committee meetings. The Audit and Risk Committee also holds a 'director-only' session, which provides an opportunity for candid interaction with the external auditors to ensure a robust and independent audit process.

## Audit and Risk Committee

The Audit and Risk Committee, chaired by Carlos da Silva, comprises four directors and holds up to four meetings a year. In addition, there is provision to hold additional meetings as required. The Audit and Risk Committee assists the Board in discharging its management, accounting and financial reporting responsibilities, including:

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

## Remuneration Committee

The Remuneration Committee, chaired by Anthony Howard, comprises three directors and schedules up to three meetings per year. There is provision for additional meetings to be held to deal with other matters as they arise.

The Committee assists the Board in fulfilling its oversight of good employer and human resource governance responsibilities, including:

- overseeing and reviewing the performance of the human resources strategy for the MetService Group
- reviewing, and recommending to the Board for approval, the remuneration policy for the Group consistent with the strategic plan
- reviewing, and recommending to the Board for approval, remuneration arrangements and performance measures and targets for the Chief Executive
- reviewing the performance of the Chief Executive.

## Risk management

Management of risk is a key focus of the Board, as it is crucial to the protection of shareholder value. The MetService Group has in place a comprehensive risk management

and internal control framework to identify and treat all key strategic and business risks.

The Board approves and monitors policies and processes in key risk areas. The Board has approved a comprehensive delegated authority structure that clearly states actions reserved to itself and those delegated to management. The Board is also required to approve all capital expenditure and operational expenditure that exceeds the Chief Executive's delegated authority. Any such request for approval is required to reflect a formal consideration of the relevant risk and prioritisation issues.

The following specific actions are taken:

- a Group risk profile that considers the key risks, and the management actions to treat such risks, is updated throughout the year
- the Audit and Risk Committee periodically reviews the key risk profile
- internal controls are assessed in line with a risk-based internal audit plan, with the outcomes considered by the Audit and Risk Committee.

## Integrity standards

The Board supports the principles set out in the Codes of Proper Practice for Directors as published by the Institute of Directors in New Zealand. Under the Code, directors are expected to:

- act with honesty and integrity
- comply with the law
- avoid conflicts of interest
- use Company assets responsibly and in the best interests of the Company
- be responsible and accountable for their actions
- act in accordance with their fiduciary duties.

## Conflicts of interest

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

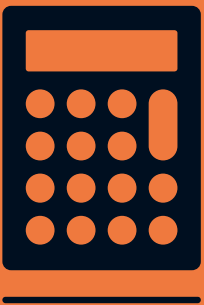
Directors are regularly requested to make general disclosures of interest, which are recorded in the Register of Interests and set out in the Statutory Information on pages 42-43 of this report.

## Governance best practice

The Board has confirmed that its corporate governance policies, practices and procedures are in accord with the Financial Markets Authority's Corporate Governance in New Zealand – Principles and Guidelines, in the material respects for which they are appropriate for an SOE.

## Health and safety

Health and safety is a key priority for the Board. The Board supports the Good Governance Practices Guideline for Managing Health and Safety Risks produced by the Institute of Directors in New Zealand and the Ministry of Business, Innovation and Employment.



# NUMBER CRUNCH



## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Note	Group 2015 \$000s	Group 2014 \$000s
Revenue		45,979	45,601
Government Grants		66	46
<b>Total Revenue and Other Income</b>		<b>46,045</b>	<b>45,647</b>
<b>Operating Expenses</b>			
Employee Benefits Expense	4	23,691	21,893
Communication Costs		1,099	1,105
Data Acquisition Costs		3,230	2,174
IT Costs		2,250	1,789
Marketing Costs		1,004	1,026
Occupancy Costs		535	695
Operating Lease Expenses		1,180	1,273
Office Expenses		314	287
Professional Expenses		1,254	1,459
Other Costs		1,968	2,149
Depreciation and Amortisation Expense		7,258	6,716
<b>Total Operating Expenses</b>	3	<b>43,783</b>	<b>40,566</b>
<b>Operating Profit</b>		<b>2,262</b>	<b>5,081</b>
Financial Costs	5	956	939
Share of Profits of Jointly Controlled Entity	14	(73)	(104)
<b>Profit Before Taxation</b>		<b>1,379</b>	<b>4,246</b>
<b>Taxation</b>	6	<b>(468)</b>	<b>(1,676)</b>
<b>Net Profit Attributable to Equity Holders</b>		<b>911</b>	<b>2,570</b>
<b>Other Comprehensive Income</b>			
Movement in Foreign Currency Translation Reserve		37	15
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>948</b>	<b>2,585</b>

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



## Statement of Financial Position as at 30 June 2015

	Note	Group 2015 \$000s	Group 2014 \$000s
<b>Equity</b>			
Issued Capital	7	5,000	5,000
Foreign Currency Translation Reserve		(40)	(77)
Retained Earnings		13,201	12,290
<b>Total Equity</b>		<b>18,161</b>	<b>17,213</b>
<b>Liabilities</b>			
Bank Advance	12	1,806	-
Trade and Other Payables	8	4,875	4,858
Income Taxation Payable		-	504
Employee Benefits	10	1,442	1,312
Borrowings	12	-	3,000
<b>Total Current Liabilities</b>		<b>8,123</b>	<b>9,674</b>
Deferred Taxation	6	1,169	1,215
Provisions	11	466	490
Employee Benefits	10	135	144
Borrowings	12	17,000	14,000
<b>Total Non Current Liabilities</b>		<b>18,770</b>	<b>15,849</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>45,054</b>	<b>42,736</b>
<b>Assets</b>			
Cash and Cash Equivalents	22	1,102	1,623
Trade and Other Receivables	9	5,833	4,617
Inventories	13	558	369
Income Taxation Receivable		144	-
<b>Total Current Assets</b>		<b>7,637</b>	<b>6,609</b>
Property, Plant and Equipment	18	19,978	20,593
Investments in Jointly Controlled Entities	14	3,177	3,104
Intangible Assets	17	14,262	12,430
<b>Total Non Current Assets</b>		<b>37,417</b>	<b>36,127</b>
<b>TOTAL ASSETS</b>		<b>45,054</b>	<b>42,736</b>

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

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 18 August 2015.

C Harkess  
Director

C M da Silva  
Director



## Statement of Changes in Equity for the year ended 30 June 2015

GROUP 2015	Note	Fully Paid Ordinary Shares \$000s	Retained Earnings \$000s	Foreign Currency Translation Reserve \$000s	Total \$000s
Equity as at 1 July 2014		5,000	12,290	(77)	17,213
<b>Comprehensive Income</b>					
Net Profit		-	911	-	911
Currency Translation Differences		-	-	37	37
<b>Total Comprehensive Income</b>		-	911	37	948
<b>Transactions with Owners</b>					
Dividends Relating to 2014	19	-	-	-	-
<b>Total Transactions with Owners</b>		-	-	-	-
<b>EQUITY AS AT 30 JUNE 2015</b>		<b>5,000</b>	<b>13,201</b>	<b>(40)</b>	<b>18,161</b>
<b>GROUP 2014</b>					
Equity as at 1 July 2013		5,000	11,998	(92)	16,906
<b>Comprehensive Income</b>					
Net Profit		-	2,570	-	2,570
Currency Translation Differences		-	-	15	15
<b>Total Comprehensive Income</b>		-	2,570	15	2,585
<b>Transactions with Owners</b>					
Dividends Relating to 2013	19	-	(2,278)	-	(2,278)
<b>Total Transactions with Owners</b>		-	(2,278)	-	(2,278)
<b>EQUITY AS AT 30 JUNE 2014</b>		<b>5,000</b>	<b>12,290</b>	<b>(77)</b>	<b>17,213</b>

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



## Statement of Cash Flows for the year ended 30 June 2015

	Note	Group 2015 \$000s	Group 2014 \$000s
<b>Cash Flow from Operating Activities</b>			
<b>Cash was Provided from:</b>			
Receipts from Customers		44,369	45,301
Interest Received		20	40
<b>Cash was Applied to:</b>			
Payments to Suppliers and Employees		(41,100)	(37,724)
Interest Paid		(971)	(978)
Income Taxation Paid		(1,145)	(901)
<b>Net Cash Generated by Operating Activities</b>	20	<b>1,173</b>	<b>5,738</b>
<b>Cash Flow from Investing Activities</b>			
<b>Cash was Provided from:</b>			
Proceeds from Disposal of Property, Plant and Equipment		-	42
<b>Cash was Applied to:</b>			
Purchase of Property, Plant and Equipment		(3,500)	(2,516)
Acquisition of 49% Share In MetOcean Solutions Limited		-	(3,000)
<b>Net Cash Used by Investing Activities</b>		<b>(3,500)</b>	<b>(5,474)</b>
<b>Cash Flow from Financing Activities</b>			
<b>Cash was Provided from:</b>			
Increased Borrowings		1,806	3,000
<b>Cash was Applied to:</b>			
Repayment of Borrowings		-	(1,000)
Dividends		-	(2,278)
<b>Net Cash Generated by Financing Activities</b>		<b>1,806</b>	<b>(278)</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>		<b>(521)</b>	<b>(14)</b>
Add Cash and Cash Equivalents at the Beginning of the Year		1,623	1,637
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	22	<b>1,102</b>	<b>1,623</b>

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



## Notes to the Financial Statements for the year ended 30 June 2015

### 1. GENERAL INFORMATION

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Limited and its subsidiaries ('Group').

These financial statements were authorised for issue by the Board of Directors on 18 August 2015.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Basis of preparation

The consolidated 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 consolidated 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 consolidated 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 Enterprise Act 1986.

Parent results are no longer required to be reported separately as a result of changes to the Financial Reporting Act 2013.

#### Standards adopted for the first time

None this financial year.

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

NZ IFRS 9 'Financial Instruments' – effective for periods beginning on or after 1 January 2017. The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZ IAS 39 'Financial Instruments: Recognition and Measurement'. NZ IFRS 9 reduces the classifications and measurement methods available for financial assets from four to two, being amortised cost or fair value through profit or loss. The adoption of this standard is not expected to materially impact the Group's measurement of or disclosure of financial assets or liabilities.

NZ IFRS 15 'Revenue from contracts with customers' – effective for annual periods beginning on or after 1 January 2017. The standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and is applicable to

all entities with revenue. It sets out a five-step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2017.

### Principles of consolidation

#### Subsidiaries

The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2015. 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 Statements of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All significant 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 consolidated financial statements of the Group.

#### Investments in jointly controlled entities

The Group has applied NZ IFRS 11 to account for its joint arrangement. Under NZ IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the





transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Revenue

Revenue is measured at the fair value for the sale of goods and services. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

### Interest income

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

### Dividend income

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

### Borrowings

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

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

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to assets are treated as deferred income and recognised in the Statements of Profit or Loss and Other Comprehensive Income over the expected useful lives of the assets concerned.

### 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 and the value of 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 capitalised as soon as the asset is capable of productive 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 to the Statements 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 cost of improvements to leasehold property are capitalised, disclosed as leasehold property and amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is shorter.

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

Buildings	2.5% – 10.0%
Computer Hardware & Software Equipment	20.0% – 33.3%
Furniture & Fittings	8.0% – 33.3%
Buildings on Leasehold Land	3.1% – 33.3%
Meteorological Equipment	2.5% – 33.0%
Motor Vehicles	10.0% – 22.0%
Office Equipment	10.0% – 33.0%
Plant & Equipment	4.0% – 33.0%

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



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

### Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of the acquisition of Weather Commerce over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary 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, identified according to operating segment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill recognised in the Statements 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 five 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 to the Statements 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 Parent company and is recognised in the statement of financial performance in the period in which it is incurred. Development costs are capitalised when they meet the requirements of NZ IAS 38 Intangible Assets.

#### Leases

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

#### 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 and the 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. Movements in the restoration provision are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### Employee benefits

##### 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.

### Taxation

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 is New Zealand dollars and the functional currency of MetraWeather UK 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 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 balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement 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 and other currency instruments designated as hedges of such investments, 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 income statement 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.



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

### 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 and employee entitlements.

### Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

### 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.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised by applying the effective interest method.

### 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 sheet 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 pre-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 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 the Statement of Profit or Loss and Other Comprehensive Income.

**Share capital**

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

**Critical accounting judgments and key sources of estimation uncertainty**

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

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

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

- Note 11: Provisions.
- Note 17: Other intangible assets – measurement of goodwill impairment of subsidiaries.
- Note 17: Internally generated intangible assets.



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

3. OPERATING EXPENDITURE	Group 2015 \$000s	Group 2014 \$000s
Profit for the year has been arrived after charging/(crediting)		
Audit Fees of Financial Statements paid to PwC	108	106
Audit Fees Related to Audit of Subsidiary MetraWeather (UK) Ltd paid to Crowe Clark Whitehall (CCW)	22	21
Fees Paid to CCW for Non-Audit Services	88	92
Fees Paid to PwC for Non-Audit Services	18	29
Loss on Disposal of Property, Plant and Equipment	8	1
Directors' Fees	189	186
Software Development Expenditure	5	16
FX (Gains)/Losses	(42)	134
Bad Debts	41	154
<hr/>		
4. EMPLOYEE BENEFITS EXPENSE	Group 2015 \$000s	Group 2014 \$000s
Wages and Salaries	25,877	23,258
Termination Benefits	9	21
Defined Contribution Pension Plan Expense	537	635
Labour Capitalised	(4,943)	(4,187)
Contractors/Temporary Staff	1,701	1,514
Other Employee Benefits	510	652
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>23,691</b>	<b>21,893</b>
<hr/>		
5. FINANCE COSTS – NET	Group 2015 \$000s	Group 2014 \$000s
<b>Interest Revenue</b>		
Bank Deposits	20	40
<b>Total Finance Income</b>	<b>20</b>	<b>40</b>
<hr/>		
Interest on Bank Overdrafts and Loans	976	979
<b>Total Finance Costs</b>	<b>976</b>	<b>979</b>
<b>FINANCE COSTS - NET</b>	<b>956</b>	<b>939</b>



6. TAXATION	Group 2015 \$000s	Group 2014 \$000s
Net Profit Before Taxation	1,379	4,246
Prima Facie Taxation Thereon at 28%	386	1,189
Non-Deductible Legal Fees	10	-
Non-Deductible Expenditure	10	81
Non-Assessable Profit Share of Joint Ventures	(20)	(29)
Non-Assessable Government Grant	(10)	(13)
Prior Period Adjustment	22	357
Effect of Different Tax Rates in Other Jurisdictions	25	91
Other	45	-
<b>TAXATION EXPENSE</b>	<b>468</b>	<b>1,676</b>
Prior Year Adjustment	22	357
Current Taxation	529	1,448
Deferred Taxation	(83)	(129)
<b>TAXATION EXPENSE</b>	<b>468</b>	<b>1,676</b>
<b>Deferred Tax</b>		
<b>Deferred tax (liabilities)/assets arise from the following:</b>		
TEMPORARY DIFFERENCES		
Property, Plant and Equipment	(1,226)	(1,245)
Intangible Assets	(767)	(809)
Provisions and Other Liabilities	490	547
Income Tax Losses	334	292
	<b>(1,169)</b>	<b>(1,215)</b>
<b>Deferred Taxation</b>		
Opening Balance	(1,215)	(995)
On Profit for the Year	83	129
Prior Period Adjustment	(37)	(349)
<b>CLOSING BALANCE</b>	<b>(1,169)</b>	<b>(1,215)</b>
Deferred Tax to be Recovered < 12 months	490	547
Deferred Tax to be Recovered > 12 months	(1,659)	(1,762)
	<b>(1,169)</b>	<b>(1,215)</b>
<b>Imputation Credits Available For Use</b>	<b>4,729</b>	<b>4,294</b>

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

A corporate tax rate of 28% applies in both the 2013/2014 and 2014/2015 income tax years.





## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

7. ISSUED CAPITAL	Group 2015 \$000s	Group 2014 \$000s
Authorised, Issued and Fully Paid Capital Consists of 5,000,000 Ordinary Shares	5,000	5,000

Issued shares have no par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

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

8. TRADE AND OTHER PAYABLES	Group 2015 \$000s	Group 2014 \$000s
Trade Payables	1,360	1,202
Other Payables	640	906
Accruals	2,032	1,596
Income in Advance	843	1,154
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>4,875</b>	<b>4,858</b>

9. TRADE AND OTHER RECEIVABLES	Group 2015 \$000s	Group 2014 \$000s
Trade Receivables	4,300	3,403
Allowance for Impairment	(35)	(211)
	<b>4,265</b>	<b>3,192</b>
Prepayments	1,103	1,070
Sundry Debtors	465	355
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>5,833</b>	<b>4,617</b>

The average credit period on sales of goods and services is 30 days. No interest is charged on trade receivables overdue. Overdue debts are reviewed on a case-by-case basis and provided for if the receivable is considered not recoverable. Historical experience is such that international customers pay on a 60–90-day term and default is minimal.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$214,146 (2014: \$820,551) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.





	Group 2015 \$000s	Group 2014 \$000s
<b>Ageing Past Due Trade Receivables (Not Impaired)</b>		
60–90 days	27	26
Above 90 days	37	165
<b>TOTAL</b>	<b>64</b>	<b>191</b>
<b>Movement in the Allowance for Impairment</b>		
Balance at Beginning of the Year	211	107
Doubtful Debts Recognised as Bad Debts	(41)	131
Impairment Losses Reversed	(135)	(27)
<b>BALANCE AT END OF THE YEAR</b>	<b>35</b>	<b>211</b>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for impairment are individually impaired trade receivables with a balance of \$35,451 (2014: \$227,867) for Group, relating to entities which have been considered doubtful.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate their fair value.

10. EMPLOYEE BENEFITS	Group 2015 \$000s	Group 2014 \$000s
Annual Leave Entitlement	1,442	1,312
Termination Leave	135	144
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>1,577</b>	<b>1,456</b>

#### Termination Leave

Opening Balance as at 1 July 2014	144	165
Reductions Arising from Payments/ Other Sacrifices of Future Economic Benefits	(9)	(21)
<b>CLOSING BALANCE AS AT 30 JUNE 2015</b>	<b>135</b>	<b>144</b>
Termination Leave – Current	–	–
Termination Leave – Non Current	135	144
<b>CLOSING BALANCE AS AT 30 JUNE 2015</b>	<b>135</b>	<b>144</b>

The liability for employee benefits represents annual leave and termination leave entitlements accrued. The termination leave accrual is an actuarial assessment of the accrued termination leave liabilities for current employees of the Group. Only those employees with 10 years' service when the scheme closed are eligible for the benefit.

Termination leave has been calculated by the actuarial firm Aon NZ Ltd and has been calculated based on inter alia: Contractual Employee Entitlements, Projected Employee Salary Increases, Expected Resignation and Retirement Rates, Forecasted Market Discount Rates.



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

11. PROVISIONS	Group 2015 \$000s	Group 2014 \$000s
<b>Non Current</b>		
Restoration Provision	466	490
<b>TOTAL NON CURRENT PROVISIONS</b>	<b>466</b>	<b>490</b>
<b>Restoration Provision</b>		
Opening Balance as at 1 July 2014	490	483
Movement Due to Revised Assumption on Lease Termination	(24)	7
<b>Closing Balance as at 30 June 2015</b>	<b>466</b>	<b>490</b>
<b>TOTAL PROVISIONS</b>	<b>466</b>	<b>490</b>

### Restoration provision

The Parent has a number of sites leased around the country for the purpose of housing weather stations or related equipment. A restoration provision has been calculated for those sites that contractually require the site to be restored to its original state on expiry of the license to occupy. The Restoration provision is an estimate of the cost (in today's dollars) of restoring current leased sites to their original state on termination of the lease agreement assuming this would occur at the end of the useful life of equipment on the leased site (usually 20 years from commencement of lease.)

This provision includes estimation for restoring Campbell Island. The Parent has used the ten year government bond rate of 3.90% (2014: 4.42%) as the discount rate and assumed a 0.1% (2014: 2.4%) CPI increase on costs.

### Contingent liabilities

Several lease agreements are held that do not include the requirement to restore the site on termination of the lease. Because the Parent is not contractually obligated to remove the equipment and restore the site, it is not certain that a liability would arise therefore, the estimated cost of restoring these sites has been excluded from the provision. 2015: \$361,624 (2014: \$357,880).

At the end of the financial year, discussions had taken place with several staff members who had agreed to take voluntary redundancy if required. This is reliant on changes to specific business processes that require a third party to meet certain criteria before any changes can be agreed to. To date this criteria has not been met. Total possible liability estimated to be \$80,000.

12. BORROWINGS	Group 2015 \$000s	Group 2014 \$000s
<b>Unsecured</b>		
<b>Current</b>		
Bank Advance	1,806	–
Bank Loan	–	3,000
<b>Non Current</b>		
Bank Loan	17,000	14,000
<b>TOTAL BORROWINGS</b>	<b>18,806</b>	<b>17,000</b>

The Parent has a multi-option credit line facility with Westpac to the value of \$4,000,000. Interest is charged at the cash rate plus a corporate margin of 30 basis points with a line of credit charge of 0.025% per month on the commitment during that month.

The Parent has an on-going term loan agreement with the Westpac Banking Corporation. The interest rates are fixed and due for renewal between 1 August 2015 and 30 June 2018. The average interest rate for the loans as at 30 June 2015 is 5.35% (2014: 5.38%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and total leverage ratio. As at 30 June 2015, all banking covenants had been complied with.



13. INVENTORIES	Group 2015 \$000s	Group 2014 \$000s
Finished Goods at Cost	558	369
<b>TOTAL INVENTORIES</b>	<b>558</b>	<b>369</b>

The cost of inventories recognised as an expense during the year was \$385,916 (2014: \$458,287).

#### 14. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities at 30 June 2015 are as follows:

Name of Jointly Controlled Entity	MetOcean Solutions Limited
Principal Activity	Oceanography and Meteorology
Place of Incorporation and Operation	New Zealand
Shareholding	49%

On 1 August 2013, the Group acquired a 49% stake in MetOcean Solutions Limited for \$3million, funded by bank borrowing. Investment in the joint venture is accounted for using the equity method.

**Summarised Financial Information of the Group's jointly controlled entity as at 30 June 2015 and for the year:**

	2015 \$000	2014 \$000s
Total Current Assets	884	860
Total Non Current Assets	118	142
Total Current Liabilities	(128)	(60)
Total Non Current Liabilities	-	-
Net Assets	874	942
<b>Group's Share of Net Assets</b>	<b>428</b>	<b>462</b>
Total Revenue	(2,477)	(2,407)
Total Profit for the Period	(149)	(212)
<b>Group's Share of Profits of Jointly Controlled Entity</b>	<b>(73)</b>	<b>(104)</b>

**Movement in the Carrying Amount of the Group's Investment in jointly controlled entity:**

	Group 2015 \$000s	Group 2014 \$000s
<b>Balance at Beginning of Year</b>	3,104	-
Acquisition of 49% shareholding	-	3,000
Share of Profits of Jointly Controlled Entity	73	104
<b>GROUP'S SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITY</b>	<b>3,177</b>	<b>3,104</b>

Reporting date of MetOcean Solutions Limited is 31 March. The reporting date is not planned to change until such point as the remainder of the business is acquired and incorporated as a subsidiary of the Group.

The Parent also holds a call option to acquire the remaining 51% interest in MetOcean Solutions Limited and the sellers hold a put option to sell their interest to the Parent. The call and put options can only be exercised between the third and fourth anniversary of the acquisition. The transaction represents joint venture between the Parent and the sellers and the call and the put options are not deemed to be derivative financial instruments.



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

### 15. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 30 June 2015 are as follows:

Names	MetraWeather (Australia) Pty Limited	MetraWeather (UK) Limited
Place of Incorporation and Operation	Australia	United Kingdom
Balance Date	30 June	30 June
Principal Activity	Forecasting, Marketing and Promotion of Weather and Information Presentation Services.	Forecasting, Marketing and Promotion of Weather and Information Presentation Services.

### 16. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

#### Loans to/(from) Subsidiaries

The Parent provides funds to MetraWeather (Australia) Pty Limited and MetraWeather (UK) Limited via an intercompany account. This is used to fund management fee and reseller fee transactions throughout the year.

Balances are interest free and payable on demand.

#### Compensation of Key Management Personnel

Key management personnel are paid in their capacity as employees and receive salary and bonus.

Key management personnel includes Directors and the Executive Team.

	Group 2015 \$000s	Group 2014 \$000s
Total Salaries	1,895	1,609
Performance Pay Paid Relating to Prior Year	189	144
Directors' Remuneration	189	186
	<b>2,273</b>	<b>1,939</b>

#### Other Related Parties

##### Relationship with the Crown

Meteorological Service of New Zealand Limited is a limited liability company incorporated in New Zealand, under the Companies Act 1993. The shares are held equally by the Minister for State-Owned Enterprises and the Minister of Finance on behalf of the Crown. The Crown does not guarantee the liabilities of Meteorological Service of New Zealand Limited.

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



## 17. OTHER INTANGIBLE ASSETS

GROUP 2015	Goodwill	Software	Customer Base	Capital Work In Progress	Total
Cost	600	30,315	413	2,592	33,920
Accumulated Amortisation	-	(19,290)	(368)	-	(19,658)
<b>CARRYING AMOUNT</b>	<b>600</b>	<b>11,025</b>	<b>45</b>	<b>2,592</b>	<b>14,262</b>
<b>Opening Carrying Amount</b>	600	9,606	131	2,093	12,430
Additions at Cost	-	-	-	6,184	6,184
Disposals	-	(45)	-	-	(45)
Amortisation Expense	-	(4,259)	(86)	-	(4,345)
Accumulated Amortisation Recovered	-	38	-	-	38
Work in Progress Movement	-	5,685	-	(5,685)	-
<b>NET BOOK VALUE AS AT 30 JUNE 2015</b>	<b>600</b>	<b>11,025</b>	<b>45</b>	<b>2,592</b>	<b>14,262</b>

GROUP 2014	Goodwill	Software	Customer Base	Capital Work In Progress	Total
Cost	600	24,675	413	2,093	27,781
Accumulated Amortisation	-	(15,069)	(282)	-	(15,351)
<b>CARRYING AMOUNT</b>	<b>600</b>	<b>9,606</b>	<b>131</b>	<b>2,093</b>	<b>12,430</b>
<b>Opening Carrying Amount</b>	600	7,382	210	3,479	11,671
Additions at Cost	-	5,920	-	-	5,920
Amortisation Expense	-	(3,696)	(79)	-	(3,775)
Work in Progress Movement	-	-	-	(1,386)	(1,386)
<b>NET BOOK VALUE AS AT 30 JUNE 2014</b>	<b>600</b>	<b>9,606</b>	<b>131</b>	<b>2,093</b>	<b>12,430</b>

Internally developed software and capital work in progress includes software development to be used in sellable products and installations of infrastructure. The amount to be capitalised is determined on the basis of time spent by employees developing these assets. Timesheets are used for recording hours spent against specific pre-approved activities, both capital and operational. The timesheets are reviewed against the criteria determined in the accounting policy and approved by management. IT development is allocated at a rate of \$103 per hour (2014: \$103) and Network Engineer's rate is \$84 per hour (2014: \$84). These rates were determined by using the appropriate overheads for each area, along with the average hourly rate for employees developing these assets.

During the current financial year, the Group assessed the useful lives of intangible assets in line with the accounting policy and NZ IAS 38 Intangible Assets. The accounting estimate of the useful life of Weatherscape Intangible assets was increased from three years to five years based on the average useful life.

This change has impacted the current year results as follows:

	Group 2015 \$000s
Amortisation on Weatherscape Intangible Assets Using a Three-Year Useful Life	583
Decrease in Amortisation	(307)
Amortisation on Weatherscape Intangible Assets Using a Five-Year Useful Life	276



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

### 17. OTHER INTANGIBLE ASSETS (CONTINUED)

#### MetraWeather (UK) Ltd customer base valuation

The MetraWeather (UK) Ltd customer base represents assets identified on acquisition of MetraWeather (UK) Ltd and was initially calculated on the net present value, using a discount rate of 23%, of expected revenue net of direct customer servicing costs over a five-year period. The asset is to be amortised over a five-year period finishing in February 2016. The carrying value of the asset as at 30 June 2015 was \$45,000 (2014: \$131,000). No reasonable change in assumptions leads to an impairment.

#### Impairment tests for goodwill

Goodwill is allocated to MetraWeather (UK) Ltd. The recoverable amount has been determined based on a value-in-use calculation. The calculation used forecast cash flows to 2016 with a pretax growth rate of 5% and a discount rate of 8%. The recoverable amount exceeds the carrying amount therefore no impairment loss has been recognised.

#### Research Expenditure

Research expenditure is incurred by the Parent company and is recognised in the statement of financial performance in the period in which it is incurred per the requirements of NZ IAS 38.

	Group 2015 \$000s	Group 2014 \$000s
<b>Research Expenditure</b>	<b>840</b>	<b>615</b>

### 18. PROPERTY, PLANT & EQUIPMENT

GROUP	Land & Buildings \$000s	Meteorological & Plant \$000s	ICT Equipment, Vehicles & Furniture \$000s	Work In Progress \$000s	Total \$000s
Cost	9,318	24,725	12,767	393	47,203
Accumulated Depreciation and Impairment	(4,658)	(12,363)	(10,204)	-	(27,225)
<b>CARRYING AMOUNT</b>	<b>4,660</b>	<b>12,362</b>	<b>2,563</b>	<b>393</b>	<b>19,978</b>
Opening Carrying Amount	4,917	10,927	2,300	2,449	20,593
Additions at Cost	40	299	670	1,289	2,298
Disposals	-	(605)	(5,629)	-	(6,234)
Depreciation	(542)	(1,243)	(1,128)	-	(2,913)
Accumulated Depreciation Recovered	-	605	5,629	-	6,234
Work In Progress Movement	245	2,379	721	(3,345)	-
<b>NET BOOK VALUE AS AT 30 JUNE 2015</b>	<b>4,660</b>	<b>12,362</b>	<b>2,563</b>	<b>393</b>	<b>19,978</b>
<b>GROUP 2014</b>					
Cost	9,033	22,652	17,005	2,449	51,139
Accumulated Depreciation and Impairment	(4,116)	(11,725)	(14,705)	-	(30,546)
<b>CARRYING AMOUNT</b>	<b>4,917</b>	<b>10,927</b>	<b>2,300</b>	<b>2,449</b>	<b>20,593</b>
Opening Carrying Amount	5,455	10,657	3,075	2,163	21,350
Additions at Cost	11	1,378	515	-	1,904
Disposals	(9)	(205)	(53)	-	(267)
Depreciation	(543)	(1,108)	(1,290)	-	(2,941)
Accumulated Depreciation Recovered	3	205	53	-	261
Work In Progress Movement	-	-	-	286	286
<b>NET BOOK VALUE AS AT 30 JUNE 2014</b>	<b>4,917</b>	<b>10,927</b>	<b>2,300</b>	<b>2,449</b>	<b>20,593</b>



During the current financial year, the Group assessed the useful lives of property, plant and equipment in line with the accounting policy and NZ IAS 16 Property, Plant and Equipment. The accounting estimate of the useful life of IT Servers was increased from three years to five years based on the average useful life.

This change has impacted the current year results as follows:

Depreciation on IT Server Assets Using a Three-Year Useful Life	107
Decrease in Depreciation	(51)
Depreciation on IT Server Assets Using a Five-Year Useful Life	56

19. DIVIDENDS	Group 2015 \$000s	Group 2014 \$000s
<b>Final Dividends Paid</b>		
Final Dividends Relating to Prior Year (2014: 45.5c per share)	–	2,278
	–	<b>2,278</b>

As at balance date, there has been no provision made for a final dividend.

In 2014, the Group's dividend policy was to distribute 35% of operating cash flow. This has been updated in 2015 and the company will now pay a dividend in the range of 50% to 75% of free cash flow from operations, after deducting maintenance capital expenditure.

20. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	Group 2015 \$000s	Group 2014 \$000s
<b>Net Surplus for the Year</b>	<b>948</b>	<b>2,585</b>
<b>Non Cash/Non Operating Items</b>		
Depreciation and Amortisation	7,258	6,716
Share of Profits of Associates	(73)	(104)
Labour Capitalised	(4,943)	(4,187)
(Decrease)/Increase in Deferred Tax	(46)	220
Movement in Foreign Currency Translation Reserve	(37)	(15)
Loss on Sale of Fixed Assets	8	1
(Decrease)/Increase in Restoration Provision	(24)	7
Other Non Cash Operating Items	(6)	(43)
<b>INCREASE IN NON CASH ITEMS</b>	<b>2,137</b>	<b>2,595</b>
<b>Movements in Working Capital</b>		
(Increase) in Receivables	(1,236)	(10)
Increase/(Decrease) in Accounts Payable and Accruals	161	(144)
(Increase)/Decrease in Income Taxation Receivable	(648)	554
(Increase)/Decrease in Inventories	(189)	158
<b>Total Movement in Working Capital</b>	<b>(1,912)</b>	<b>558</b>
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>1,173</b>	<b>5,738</b>



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

### 21. OPERATING LEASE EXPENSES

The Group as Lessee:

#### Leasing arrangements

The Group leases land, office space and IT equipment.

Operating leases over these properties give the Group the right to renew the lease subject to a redetermination of the lease by the lessor.

	Group 2015 \$000s	Group 2014 \$000s
<b>Non Cancellable Operating Lease Commitments</b>		
Not later than One Year	557	639
Later than One Year and Not Later Than Five Years	1,087	879
Later Than Five Years	1,096	1,128
	<b>2,740</b>	<b>2,646</b>

### 22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows can be reconciled to the related items in the balance sheet as follows:

	Group 2015 \$000s	Group 2014 \$000s
<b>Cash and Cash Equivalents</b>	<b>1,102</b>	<b>1,623</b>

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

MetraWeather (Australia) Pty Limited has a bank guarantee from HSBC of \$16,820 in relation to the lease agreement for the current office space. This is offset by a fixed term deposit \$18,110.

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

Funding is received from international sources to fund these projects. The cash held at balance date is offset by a liability within 'Other payables'.

<b>FUNDS HELD AT BALANCE DATE</b>	<b>291</b>	<b>578</b>
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### 23. FINANCIAL RISK MANAGEMENT

#### Financial risk management objectives

Financing risk is the risk of not being able to refinance debt obligations or other cash outflows when required, on terms that are less unfavourable than those currently in place. The main objectives of the management of financing risk is to ensure sufficient funding is available to meet the Group's requirements and to avoid liquidity crises, achieve competitive pricing on sources of funding and lines of credit, and diversify sources of funding and liquidity.

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 12, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

Debt covenants are reviewed by management on a monthly basis.





### Financial instruments by category

Categories of Financial Instruments	Group 2015 \$000s	Group 2014 \$000s
<b>Assets</b>		
LOANS AND RECEIVABLES		
Cash and Cash Equivalents	1,102	1,623
Trade and Other Receivables	4,730	3,547
<b>TOTAL FINANCIAL ASSETS</b>	<b>5,832</b>	<b>5,170</b>
<b>Liabilities</b>		
FINANCIAL LIABILITIES AT AMORTISED COST		
Bank Advance	1,806	-
Trade and Other Payables	4,416	3,403
Employee Benefits	1,577	1,312
Borrowings	17,000	17,000
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>24,799</b>	<b>21,715</b>

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

#### Market risk

There has been no change during the year to the Group's exposure to market risks or the manner in which it manages and measures the risk.

#### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters.

The New Zealand dollar equivalent carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities 2015 \$000	Liabilities 2014 \$000s	Assets 2015 \$000s	Assets 2014 \$000s
<b>Group</b>				
US Dollars	3	40	306	862
British Pounds	57	32	661	774
Euro	80	17	144	71
Australian Dollars	67	10	310	331
	<b>207</b>	<b>99</b>	<b>1,421</b>	<b>2,038</b>

#### Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to exchange rate at the balance sheet date. This analysis is based on the closing foreign currency denominated monetary assets and monetary liabilities at the reporting date.

If exchange rates had been 10% higher and all other variables were held constant, Group profit and equity would have decreased by \$110,000 (2014: \$176,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by \$121,000 (2014: \$215,000).

#### Interest rate risk management

The Group manage interest rate risk by borrowing funds at fixed interest rates and maintaining an appropriate level of debt.

If interest rates had been 1% higher and all other variables were held constant, Group profit and equity would have decreased by \$143,800 (2014: \$170,200). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by \$196,100 (2014: \$169,800).



## Notes to the Financial Statements (Cont.) for the year ended 30 June 2015

### 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments which potentially subject the Group to credit risk principally consist of bank transactions and deposits, accounts receivable and sundry accounts receivable. The Group has a credit policy which is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis.

In the normal course of business amounts due from the Ministry of Transport represent a significant account receivable, and a concentration of credit risk. However, the Directors do not expect any loss from non-performance of this counterparty.

The Group does not require collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Parent has access to financing facilities, the total unused amount of which is \$2,194,000 (2014: \$4,000,000) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The table below summarises the cash flows payable by the Group by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and expected undiscounted cash flows.

#### Financial Liabilities

	Group 2015		Group 2014	
	Borrowings	Interest Payable	Borrowings	Interest Payable
	\$000s	\$000s	\$000s	\$000s
< 6 Mths	1,806	45	1,000	17
12 Mths	-	-	2,000	92
1-5 Yrs	17,000	2,729	14,000	1,154
5+ Yrs	-	-	-	-
	<b>18,806</b>	<b>2,774</b>	<b>17,000</b>	<b>1,263</b>

Trade and other payables and employee benefits are repayable within the next six months.

### 24. CAPITAL COMMITMENTS

	Group 2015	Group 2014
	\$000s	\$000s
Commitments for the acquisition of property, plant and equipment	182	1,045

### 25. SUBSEQUENT EVENTS

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



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited and its New Zealand domiciled controlled entities. The Auditor-General has appointed me, Lesley Mackle, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the group, consisting of Meteorological Service of New Zealand Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

#### Opinion

We have audited the financial statements of the Group on pages 18 to 40, that comprise the Statement of Financial Position as at 30 June 2015, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 18 August 2015. This is the date at which our opinion is expressed. The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

#### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

#### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

#### Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out an assignment in the area of business advisory, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Group.

Lesley Mackle  
On behalf of the Auditor-General

PricewaterhouseCoopers  
Wellington, New Zealand



## Statutory Information

### Results of operations

	2015 \$000s	2014 \$000s
Net Surplus attributable to Shareholders	911	2,570
Final Dividend Paid	–	2,278
Retained Earnings at Beginning of the Year	12,290	11,998
Retained Earnings at End of Year	13,201	12,290

### Changes in accounting policies

There has been no material changes in accounting policies during the year. The policies are set out on pages 22–27.

### Changes in capital

There were no changes in capital during the year.

### Remuneration bands

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

	Number
\$100,000 – \$109,000	31
\$110,000 – \$119,000	20
\$120,000 – \$129,000	13
\$130,000 – \$139,000	8
\$140,000 – \$149,000	4
\$150,000 – \$159,000	2
\$160,000 – \$169,000	1
\$170,000 – \$179,000	1
\$180,000 – \$189,000	2
\$210,000 – \$219,000	2
\$220,000 – \$229,000	1
\$240,000 – \$249,000	2
\$260,000 – \$269,000	2
\$420,000 & above	1

### Donations

The Company made no donations during the year.

### Auditor

The Auditor for the Group is Lesley Mackle, assisted by PricewaterhouseCoopers, Wellington, on behalf of the Auditor General. The amount payable by the Group to PricewaterhouseCoopers during the year as audit fees is \$108,000.

The amount in respect of the year for other services provided by PricewaterhouseCoopers is \$18,000.

### Directors' fees

The total fees payable to members of the MetService Board during FY2014/5 was \$189,749. The total Board fees are within the amount authorised by the Shareholding Ministers.

Anthony Howard (Chair)	\$30,667
Sarah Smith (Chair resigned 30 April)	\$35,458
Greg Cross (Deputy Chair resigned 30 April)	\$23,958
Carlos da Silva	\$23,000
Carolyn Harkess	\$23,000
Te Taru White	\$23,000
Judy Kirk	\$23,000
Margaret Devlin (Appointed 1 May)	\$3,833
Brent Armstrong (Appointed 1 May)	\$3,833
<b>Total Directors' Remuneration</b>	<b>\$189,749</b>

### Directors' and employees' indemnity and insurance

The MetService Group has insured the Directors and employees of the Group against any costs or liabilities of the type referred to in s162(5) of the Companies Act 1993. The MetService Group has also agreed to indemnify Directors of the Group and MetService appointed Directors of associated and subsidiary companies against any costs or liabilities referred to in s162(4) of the Companies Act 1993 that are incurred in any proceedings of the type referred to in s162(3) of the Companies Act 1993.

### Directors' loans

No loans were made to the Directors during the year.



**Directors' disclosures**

No specific disclosures were given by the Directors pursuant to s140(1) of the Companies Act 1993.

General disclosures of interest made by the Directors of MetService and its subsidiaries pursuant to s140(2) as at 30 June 2015 are:

Director	Interest	Director	Interest
<b>A Howard (Chair)</b>	Howard Co Ventures	<b>T White</b>	Te Taru White Consultancy Limited
	Onvine Limited		NOA New Zealand Limited
	Be. Institute		Media 3D Limited
	Wayfairer Limited		Lottery Environment Heritage Committee
	All Good Bananas Limited		Toitu Te Waonui Limited
	Ecological Investments Limited		Eagle Spirit Energy Holdings Limited (CA)
	Lake Rotorua Incentives Board		
<b>C da Silva (Chair, Audit and Risk Committee)</b>	Fisher & Paykel Finance Holdings Limited	<b>B Armstrong</b>	None
	Fisher & Paykel Finance Limited		
	Fisher & Paykel Financial Services Limited	<b>M Devlin</b>	Harrison Grierson
	Equipment Finance Limited		City Care Limited
	Consumer Finance Limited		Institute of Directors
	Consumer Insurance Services Limited		Waikato Regional Airport Limited
	Retail Financial Services Limited		Titanium Park Limited
	Columbus Financial Services Limited		WEL Networks Limited
	DA SILVA Advisory Limited		Waikato Spatial Plan Joint Committee
	MCC Properties Limited		Waikato District Council
	IT Partners Limited		Waikato University
	IT Partners Group Limited		National Infrastructure Advisory Board
	Lightwire Limited		
	Trelise Cooper Group Limited		
	Trelise Cooper Property Limited		
	Gardon Limited		
	Milk Management Co. Limited		
Waikato Regional Airport Limited			
Titanium Park Limited			
Certus Group Limited			
Jarvis Trading Limited			
<b>C Harkess</b>	Canterbury Rugby League Board		
<b>J Kirk</b>	NZ Lotteries Commission		
	J M K Consultancy Ltd		

**Directors' statement**

This Annual Report is for the period 1 July 2014 to 30 June 2015 and is signed on behalf of Meteorological Service of New Zealand's Board of Directors.

**C Harkess**  
Director

**C M da Silva**  
Director



## Key Performance Indicators

### Financial

	Statement of Corporate Intent	Actual 2015	Actual 2014
<b>1. Shareholder Returns</b>			
Total Shareholder Return	0.9%	0.0%	4.3%
Dividend Yield	0.9%	0.0%	4.3%
Dividend Payout	10.3%	0.0%	39.7%
Return on Equity (ROE)	16.1%	5.2%	15.1%
Return on Funds Employed	14.3%	6.5%	15.4%
<b>2. Profitability/Efficiency</b>			
NPAT	3,053	911	2,570
EBIT	5,050	2,262	5,081
EBITDA	12,340	9,520	11,797
Asset Turnover	1.14	1.11	1.11
Operating Margin (EBITDAF)	25.3%	20.7%	25.8%
Operating Margin (EBIT)	10.3%	4.9%	11.1%
<b>3. Leverage/Solvency</b>			
Gearing Ratio (net)	42.8%	49.4%	47.2%
Interest Cover	12.2	9.8	12.1
Solvency	0.91	0.90	0.68
Debt Coverage Ratio	3.17	7.52	3.35
<b>4. Growth/Investment</b>			
Revenue Growth	7.2%	0.9%	7.9%
EBITDA Growth	6.3%	-19.3%	12.8%
NPAT Growth	1.5%	-64.5%	-5.6%
Capital Renewal	1.30	1.16	1.00





## NOTES ON THE FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description	Calculation
<b>1. Shareholder Returns</b>		
Total Shareholder Return	Performance from an investor perspective – dividends and investment growth.	$(\text{Commercial value}_{\text{end}} \text{ less Commercial value}_{\text{beg}} \text{ plus dividends paid less equity injected}) / \text{Commercial value}_{\text{beg}}$
Dividend Yield	The cash return to the shareholder.	$\text{Dividends paid} / \text{Average commercial value}$
Dividend Payout	Proportion of net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder.	$\text{Dividends paid} / \text{Net cash flow from operating activities less depreciation expense}$
Return on Equity (ROE)	How much profit a company generates with the funds the shareholder has invested in the Company.	$\text{Net profit after tax} / \text{Average equity}$
Return on Funds Employed (ROFE)		$\text{Ratio of EBIT to average debt plus equity over the period}$
<b>2. Profitability/Efficiency</b>		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	$\text{Revenue} / \text{Assets}$
Operating Margin (EBITDAF)	The profitability of the Company per dollar of revenue.	$\text{EBITDAF} / \text{Revenue}$
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue.	$\text{EBIT} / \text{Revenue}$
<b>3. Leverage/Solvency</b>		
Gearing Ratio (net)	Measure of financial leverage – the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity.	$\text{Net debt} / \text{Net debt plus equity}$
Interest Cover	The number of times that earnings can cover interest.	$\text{EBITDAF} / \text{Interest paid}$
Solvency	Ability of the Company to pay its debts as they fall due.	$\text{Current assets} / \text{Current liabilities}$
Debt Coverage Ratio	Level of bank debt in relation to earnings.	$\text{Bank debt} / \text{EBIT}$
<b>4. Growth/Investment</b>		
Revenue Growth	Measure of whether the Company is growing revenue.	$\% \text{ change in revenue}$
EBITDAF Growth	Measure of whether the Company is growing earnings.	$\% \text{ change in EBITDAF}$
NPAT Growth	Measure of whether the Company is growing profits.	$\% \text{ change in NPAT}$
Capital Renewal	Measure of the level of capital investment being made by the Company.	$\text{Capital expenditure} / \text{Depreciation expense}$



## Key Performance Indicators

### Non financial

	Statement of Corporate Intent	Actual 2015	Actual 2014
<b>Warnings Performance</b>			
POD Heavy Rain (12 mo mean)	> 90%	94%	93%
POD Severe Gales (24 mo mean)	> 85%	93%	92%
POD Heavy Snow (24 mo mean)	> 85%	100%	100%
FAR Heavy Rain (12 mo mean)	< 25%	13%	17%
FAR Severe Gales (24 mo mean)	< 30%	12%	15%
FAR Heavy Snow (24 mo mean)	< 30%	12%	0%
<b>Forecast Accuracy</b>			
Precipitation % Correct (12 mo mean)	>80%	89%	88%
Radar % Uptime (12 mo mean)	>97%	99.3%	99.2%
AWS % Uptime (12 mo mean)	>98%	99.5%	99.5%
<b>Social &amp; Environmental Sustainability</b>			
Accidents Lost Time (hrs in past 12 mo)	< 40 hr	0	0
WMO Staff Participation (past 12 mo)	10	12	13



## NOTES ON THE NON FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description/Calculation
Probability of Detection (POD)	The ratio of correctly forecast events to actual events observed.
False Alarm Rate (FAR)	The ratio of forecast events that didn't occur (false alarms) to the number of events forecast.  The POD and FAR for heavy rain events is reported as a 12-month running mean. For heavy snow and high wind events the POD and FAR are reported as a 24-month running mean, reflecting the relative infrequency of these events.
The RC/MCDEM Survey Score	An aggregate score across a set of survey questions addressing accuracy, timeliness and usefulness of our forecasts and warnings. The survey is run annually, targeting the Ministry of Civil Defence and Emergency Management and all Regional Councils.
Tmax (Tmin) % Within 2 (4)°C	The percentage of maximum (minimum) temperature forecasts for tomorrow that verify within 2 (4)°C of the observed temperature, averaged over 34 urban sites across New Zealand.
Precipitation % Correct	The percentage of forecasts of precipitation (yes/no) for tomorrow that verify against observed precipitation, averaged over 34 urban sites across New Zealand.
Radar % Uptime	The percentage of time that radar data is available within MetService's Kelburn office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available within MetService's Kelburn office, averaged over all AWS sites.
Forecasting Capability Investment	The total expenditure on our New Zealand weather forecasting capability expressed as a percentage of core revenue. It reflects activities such as R&D in modelling and forecasting techniques, professional training and development of forecaster tools.
Observing Capability Investment	The total capital investment in our New Zealand weather observing network expressed as a percentage of core revenue.
% Experienced Forecasters	The percentage of MetService forecasters with 10 years or more of operational experience. This is the typical amount of experience required before a forecaster is capable of playing a senior role in the forecasting team.
Forecast Improvement Score	The change over the past five years of an aggregate POD score. The aggregate score is the mean of the POD scores for heavy rain, snow and wind warnings, weighted by sample size, and taken over a three-year running mean. It reflects the long-term improvement in warning performance resulting from our investment in forecasting and observing capability.
ISO Audit Non Conformances	The number of non-conformances remaining unresolved for longer than two months arising from ISO audits in the past 12 months.
CAA Audit Non Conformances	The number of non-conformances arising from CAA audits in the past 12 months.
Workplace Accidents Lost Time	The number of hours of time lost to workplace accidents in the past 12 months.
WMO Staff Participation	The number of employees who have taken part either in a WMO Working Group or formal meeting in the past 12 months.



## Company Directory

### DIRECTORS

Anthony Howard (Chair)  
Carlos da Silva (Audit and Risk Chair)  
Carolyn Harkess  
Te Taru White  
Judy Kirk  
Margaret Devlin  
Brent Armstrong

### EXECUTIVE

#### Chief Executive

Peter Lennox  
peter.lennox@metSERVICE.com

#### Deputy Chief Executive

Mark Ottaway  
mark.ottaway@metSERVICE.com

#### GM People and Culture

Colin Baruch  
colin.baruch@metSERVICE.com

#### Company Secretary

Shane Bidois  
shane.bidois@metSERVICE.com

#### GM Corporate Affairs

Jacqui Bridges  
jacqui.bridges@metSERVICE.com

#### Group GM Sales and Delivery

Sam Donley  
sam.donley@metSERVICE.com

#### GM National Weather Services

Norm Henry  
norm.henry@metSERVICE.com

#### Chief Financial Officer

Clive Smith  
clive.smith@metSERVICE.com

### BANKER

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

### AUDITOR

Lesley Mackle, with the assistance of  
PricewaterhouseCoopers  
113–119 The Terrace  
PO Box 243  
Wellington, New Zealand  
On Behalf of:  
Office of the Auditor-General  
100 Molesworth Street  
PO Box 3928  
Wellington, New Zealand

#### Design: MetService

This report is also available online at  
[www.metservice.com](http://www.metservice.com) and [www.metraweather.com](http://www.metraweather.com)

### HEAD OFFICE

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Wellington 6140  
New Zealand  
Telephone +64 4 4700 700  
[www.metservice.com](http://www.metservice.com)  
[www.metraweather.com](http://www.metraweather.com)

### INTERNATIONAL OFFICES

#### Europe

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Australia  
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#### Asia

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[www.metservice.com](http://www.metservice.com) and [www.metraweather.com](http://www.metraweather.com)