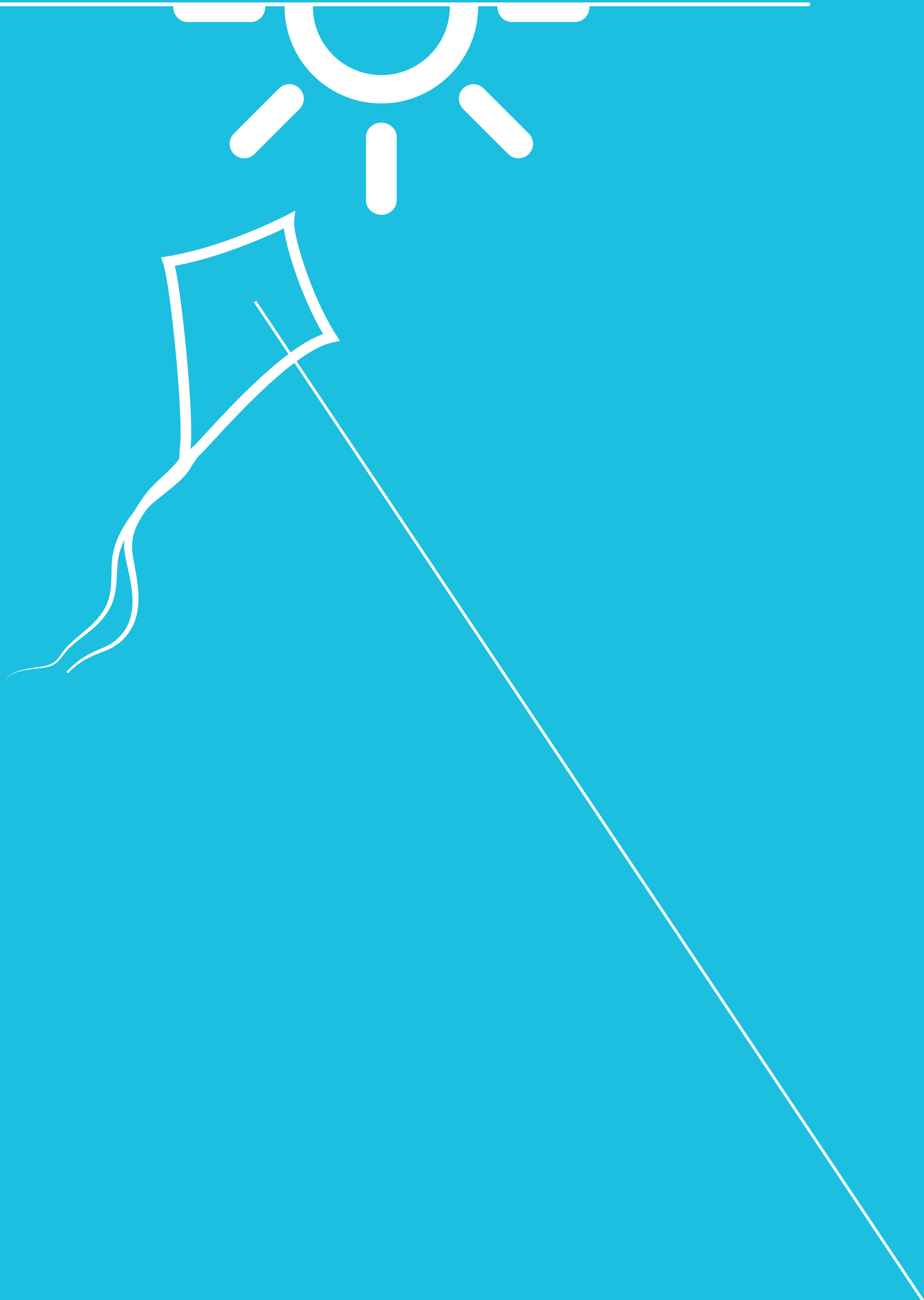
HALF-YEAR
REPORT 2015

MetService MetraWeather



HIGHLIGHTS

Lowering the carbon footprint of our roads

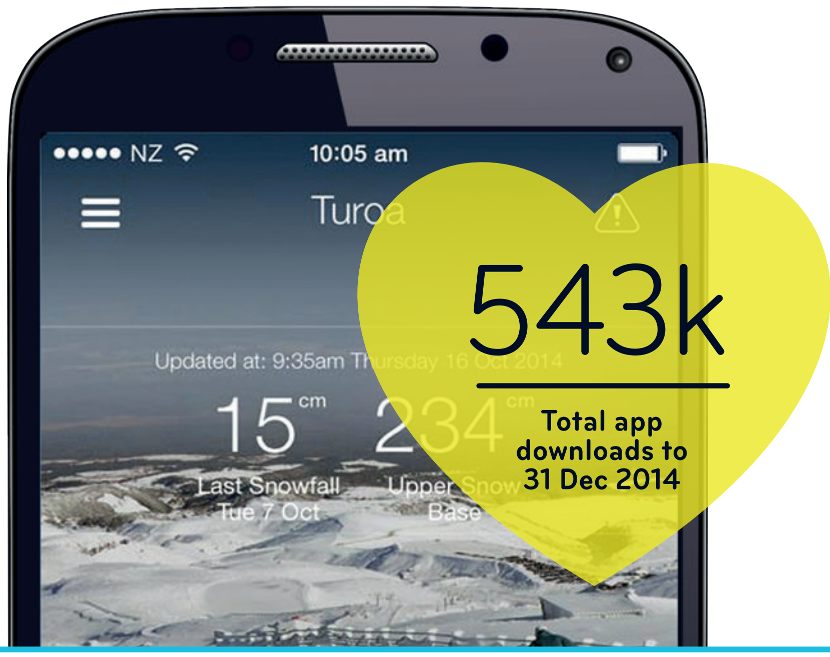
Most of New Zealand's 11,000km of state highways and 50,000km of local roads are sealed in 'chipseal' – a thin layer of aggregate chip set in bitumen. MetService and Road Science have collaborated to produce an innovative new product called 'Should I Seal' (SIS), revolutionising the emulsion sealing process by integrating forecasting technology. SIS allows contractors to be more confident that their application is appropriate for the upcoming weather conditions, reducing the risk of environmental damage through wash-off from a rain event. It also extends the amount of product that can be laid over their application season and does not require environmentally-harmful additives such as diesel and kerosene.

Crowd-sourced local weather

MetService has partnered with the UK Met Office to integrate New Zealand-based weather observations from the Weather Observations Website (WOW) system and display them on metservice.com alongside MetService's own observations – providing New Zealanders with a single crowd-sourced view of weather-as-it-happens in their local area. Called 'Your Weather', in the 23 days from its launch to 31 December 2014 this popular new feature received over 433k pageviews and saw 132 new private weather stations registered (this figure continues to grow).

Improved lightning detection across Australia

With around 80,000 thunderstorms each year, lightning is the most dangerous and frequently encountered weather hazard experienced in Australia, affecting all regions and causing an estimated $6-10m in damage each year. MetService's international subsidiary MetraWeather has 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 and energy industries.



Far North community engagement

In July a launch ceremony was held for the newest of our weather radars atop Huia Hill in Kaeo, in New Zealand's Far North. MetService has recognised the support of the people of Whakaari Pukehuia and Karangahape marae for this vital new radar through the provision of an annual scholarship to support local students with an interest in meteorology or related sciences, along with annual educational visits by meteorologists to local schools.

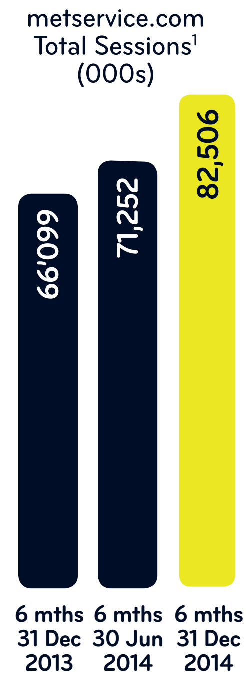
Websites reach new peaks

The metservice.com website closed out 2014 averaging over 285k New Zealand unique browsers (UBs) a day* in December – a new record result. The mobile site m.metservice.com also recorded a new best-ever figure, averaging over 70k New Zealand unique browsers (UBs) a day* over the month. December year-on-year growth in average daily UBs was 57% for the mobile website and 28% for metservice.com. In addition, December 2014 produced the highest-ever page impressions and sessions (as measured by Google Analytics) for both websites.

Master of Meteorology degree a first for New Zealand

MetService has partnered with Victoria University of Wellington to enhance the external standing of its trainee meteorologist programme. From 2016 most of the programme will count towards a Master of Meteorology degree, the first such degree to be offered in New Zealand. The partnership strengthens MetService's relationship with the University and recognises the world-class science and expertise available to educate its new professional meteorologists.

* Nielsen Market Intelligence (Average Daily NZ Unique Browsers by Brand), December 2014



Forecasting the win

To highlight MetService's role as Official Weather Forecaster to the All Blacks, three members of the team joined MetService TV presenters in early September to record a weather forecast video for the season's first test match against the Springboks. The video received 87,101 views in the 26 hours it was live on metservice.com and was also used to launch a Facebook campaign, enabling the public to submit their rugby weather photos and enter the draw to win a signed All Blacks match jersey. MetService TV videos were viewed over 324k times during 1 July–31 December 2014 and have surpassed 2m views in total since launch.

MetService Alumni membership

MetService welcomed Steve Ready to its Alumni group. Mr Ready retired in December after almost 42 years with MetService and the Fiji Meteorological Service. His career achievements include an unprecedented 16 years as Chair of WMO Regional Association V Tropical Cyclone Committee for the South Pacific and South-East Indian Ocean; and managing the Wellington Tropical Cyclone Regional Specialised Meteorological Centre (RSMC). Mr Ready's tropical meteorology expertise and leadership, and passion for teaching and leading fellow forecasters, has made a significant contribution to MetService's reputation among the worldwide meteorological community.

Aviation safety and modernisation

MetService's keynote at July's Aviation New Zealand Leadership Summit focused on international growth opportunities and what makes a company successful in overseas markets, drawing on its experience in providing vital weather data and services to local and international airlines. Accurate weather forecasts play a key role in aviation safety; MetService is adapting its products and services, working closely with the CAA, to help achieve the 'New Southern Sky' vision to modernise New Zealand's aviation system.

1. Nielsen Online Ratings (Total Sessions By Brand)

BUSINESS PERFORMANCE & OUTLOOK

The Directors announce an unaudited surplus after tax of $475k for the six month period ended 31 December 2014.

Non-MoT-contract revenue grew by 6.2%, driven both by strong domestic business and by sectors of the company's international growth strategy starting to bear fruit. Expenses increased by 5.6%, reflecting the company's commitment to growth of expertise and maintaining services of key importance to public safety.

The outlook for the year-end result is that full-year profit will be $2m below business plan, due to pending finalisation of funding for the new four-year contract negotiated with the Ministry of Transport (MoT). MetService expects this to be completed and in place with effect from 1 July 2015.

Accuracy of Severe Weather Warnings, measured by Probability of Detection (85% minimum target) and False Alarm Ratio (30% maximum target), continues to surpass MetService's Statement of Corporate Intent targets. Of particular note is the continuation of a 100% Probability of Detection for Heavy Snow (24-month running mean), a level that has now been achieved consistently for the last 18 months.

Concluding statement

MetService is accelerating growth initiatives in key international markets to drive greater returns in line with the Statement of Corporate Intent targets.

On behalf of the Board.

Sarah Smith
Chairman

93 %

Probability of Detection (POD) of severe gales, 10% False Alarm Ratio (FAR)

100 %

Probability of Detection (POD) of heavy snow, 8% False Alarm Ratio (FAR)

97 %

Probability of Detection (POD) of heavy rain, 10% False Alarm Ratio (FAR)

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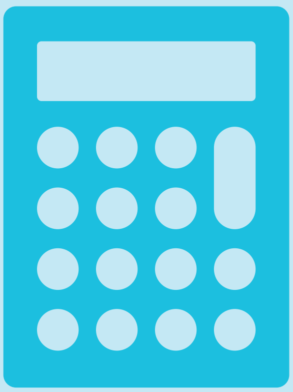

NUMBER CRUNCH

4.9%

Operating Margin (EBIT) Actual 6 months to 31 Dec 2014

Statements of Comprehensive Income
for the six months ended 31 December 2014

	Note	6 Mths 31 Dec 14 (unaudited) $000s	6 Mths 31 Dec 13 (unaudited) $000s	12 Mths 30 Jun 14 (audited) $000s
Operating Revenue		22,221	22,205	45,601
Government Grants		32	13	46
Total Operating Revenue		**22,253**	**22,218**	**45,647**
Operating Expenses				
Employee Benefits Expense		11,391	10,798	21,893
Communication Costs		531	546	1,105
Data Acquisition Costs		1,103	1,151	2,174
IT Costs		1,076	857	1,789
Marketing Costs		493	542	1,026
Occupancy Costs		317	361	695
Operating Lease Expenses		872	597	1,273
Office Expenses		156	144	287
Professional Expenses		499	938	1,459
Other Costs		1,085	947	2,149
Depreciation and Amortisation Expense		3,679	3,195	6,716
Total Operating Expenses		**21,202**	**20,076**	**40,566**
Operating Profit		**1,051**	**2,142**	**5,081**
Financial Costs	2	478	468	939
Share of Profits of Jointly Controlled Entity	5	(58)	(62)	(104)
Profit Before Taxation		**631**	**1,736**	**4,246**
Taxation (Expense)/Credit	3	(188)	(486)	(1,676)
Net Profit Attributable to Equity Holders		**443**	**1,250**	**2,570**
Other Comprehensive Income				
Movement in Foreign Currency Translation Reserve		32	–	15
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**475**	**1,250**	**2,585**

The accompanying notes to the financial statements form part of these financial statements.

Statements of Financial Position
as at 31 December 2014

	Note	6 Mths 31 Dec 14 (unaudited) $000s	6 Mths 31 Dec 13 (unaudited) $000s	12 Mths 30 Jun 14 (audited) $000s
Equity				
Issued Capital		5,000	5,000	5,000
Foreign Currency Translation Reserve		(45)	(92)	(77)
Retained Earnings/(Accumulated Losses)		12,733	10,969	12,290
Total Equity		**17,688**	**15,877**	**17,213**
Liabilities				
Cash and Cash Equivalents		–	–	–
Trade and Other Payables		14,667	16,336	4,858
Income Taxation Payable		–	–	504
Employee Benefits		1,343	1,033	1,312
Borrowings		–	–	3,000
Total Current Liabilities		**16,010**	**17,369**	**9,674**
Deferred Taxation		1,248	995	1,215
Provisions		490	483	490
Employee Benefits		144	165	144
Borrowings		17,000	18,000	14,000
Total Non Current Liabilities		**18,882**	**19,643**	**15,849**
TOTAL LIABILITIES AND EQUITY		**52,580**	**52,890**	**42,736**
Assets				
Cash and Cash Equivalents		175	27	1,623
Trade and Other Receivables		15,078	16,592	4,617
Inventories		354	459	369
Current Tax Receivable		330	41	–
Total Current Assets		**15,937**	**17,120**	**6,609**
Property Plant and Equipment		24,199	24,163	20,593
Investments in Jointly Controlled Entities		3,162	3,062	3,104
Intangible Assets		9,282	8,544	12,430
Total Non Current Assets		**36,643**	**35,770**	**36,127**
TOTAL ASSETS		**52,580**	**52,890**	**42,736**

The accompanying notes to the financial statements form part of these financial statements.

Statements of Changes in Equity
for the six months ended 31 December 2014

31 DECEMBER 2014 (UNAUDITED)	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
Comprehensive Income					
Net Profit		–	443	–	443
Currency Translation Differences		–	–	32	32
Total Comprehensive Income		–	443	32	475
Transactions with Owners					
Dividends Relating to 2014		–	–	–	–
Total Transactions with Owners		–	–	–	–
EQUITY AS AT 31 DECEMBER 2014		5,000	12,733	(45)	17,688
31 DECEMBER 2013 (UNAUDITED)					
Equity as at 1 July 2013		5,000	11,998	(92)	16,906
Comprehensive Income					
Net Profit		–	1,250	–	1,250
Total Comprehensive Income		–	1,250	–	1,250
Transactions with Owners					
Dividends Relating to 2013		–	(2,278)	–	(2,278)
Total Transactions with Owners		–	(2,278)	–	(2,278)
EQUITY AS AT 31 DECEMBER 2013		5,000	10,969	(92)	15,877
30 JUNE 2014 (AUDITED)					
Equity as at 1 July 2013		5,000	11,998	(92)	16,906
Comprehensive Income					
Net Profit		–	2,570	–	2,570
Currency Translation Differences		–	–	15	15
Total Comprehensive Income		–	2,570	15	2,585
Transactions with Owners					
Dividends Relating to 2013		–	(2,278)	–	(2,278)
Total Transactions with Owners		–	(2,278)	–	(2,278)
EQUITY AS AT 30 JUNE 2014		5,000	12,290	(77)	17,213

The accompanying notes to the financial statements form part of these financial statements.

Statements of Cash Flows
for the six months ended 31 December 2014

	Note	6 Mths 31 Dec 14 (unaudited) $000s	6 Mths 31 Dec 13 (unaudited) $000s	12 Mths 30 Jun 14 (audited) $000s
Cash Flow from Operating Activities				
Cash was Provided from:				
Receipts from Customers		21,912	21,668	45,301
Interest Received		14	17	40
Cash was Applied to:				
Payments to Suppliers and Employees		(20,331)	(18,912)	(37,724)
Interest Paid		(492)	(485)	(978)
Income Taxation Paid		(947)	(525)	(901)
Net Cash Generated by Operating Activities	6	**156**	**1,763**	**5,738**
Cash Flow from Investing Activities				
Cash was Provided from:				
Proceeds from Disposal of Property, Plant and Equipment		–	–	42
Cash was Applied to:				
Intercompany Advances		–	(24)	–
Purchase of Property, Plant and Equipment		(1,604)	(1,071)	(2,516)
Acquisition of MetOcean Solutions Limited		–	(3,000)	(3,000)
Net Cash Used by Investing Activities		**(1,604)**	**(4,095)**	**(5,474)**
Cash Flow from Financing Activities				
Cash was Provided from:				
Increased Borrowings		–	3,000	3,000
Cash was Applied to:				
Repayment of Borrowings		–	-	(1,000)
Dividends		–	(2,278)	(2,278)
Net Cash Generated by Financing Activities		**–**	**722**	**(278)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(1,448)**	**(1,610)**	**(14)**
Add Cash and Cash Equivalents at the beginning of the year		1,623	1,637	1,637
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**175**	**27**	**1,623**

The accompanying notes to the financial statements form part of these financial statements.

Notes to the Financial Statements
for the six months ended 31 December 2014

1. GENERAL INFORMATION

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

These financial statements were authorised for issue by the Board of Directors on 17 February 2015.

Meteorological Service of New Zealand Limited 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 general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and the financial position under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, are followed in the preparation of the financial statements.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS) as appropriate for profit-oriented entities. The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State Owned Enterprises Act 1986.

Standards adopted for the first time
XRB A1 Accounting Standards Framework for For-Profit Entities has been applied for the first time in the current year. XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is considered a large for-profit public sector entity under the Standard and meets the criteria of Tier 1. The Group will continue to report under full NZ IFRS regime. There is no impact on the current or prior year financial statements of transitioning to the new Accounting Standards Framework.

NZ IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

NZ IFRS 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRSs. The adoption of this standard has not materially impacted the Group's financial statements.

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 31 December 2014. 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. Investments in subsidiaries are recorded at cost less impairment in the Parent company's financial statements.

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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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.

Notes to the Financial Statements
for the six months ended 31 December 2014 (cont.)

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 Parent and 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 Parent and 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	10.0% – 33.3%
Furniture & Fittings	10.0% – 33.3%
Buildings on Leasehold Land	3.1% – 5.0%
Meteorological Equipment	2.0% – 33.0%
Motor Vehicles	15.0% – 22.0%
Office Equipment	18.0% – 33.0%
Plant & Equipment	10.0% – 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.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly-controlled entity 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.

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 Statements 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.

Notes to the Financial Statements
for the six months ended 31 December 2014 (cont.)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statements 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'). These financial statements are presented in New Zealand dollars, which is the Parent's functional and 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 Statements 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.

Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, trade and other receivables, amounts owing to related parties, trade and other payables 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, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 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.

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).

Notes to the Financial Statements
for the six months ended 31 December 2014 (cont.)

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 Statements 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 Statements 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.

2. FINANCE COSTS – NET	6 Mths 31 Dec 14 (unaudited) $000s	6 Mths 31 Dec 13 (unaudited) $000s	12 Mths 30 Jun 14 (audited) $000s
Interest Revenue			
Bank Deposits	14	17	40
Total Finance Income	**14**	**17**	**40**
Interest on Bank Overdrafts and Loans	492	485	979
Total Finance Costs	**492**	**485**	**979**
FINANCE COSTS – NET	**478**	**468**	**939**

3. TAXATION	6 Mths 31 Dec 14 (unaudited) $000s	6 Mths 31 Dec 13 (unaudited) $000s	12 Mths 30 Jun 14 (audited) $000s
Net Profit Before Taxation	631	1,736	4,246
Prima Facie Taxation There on at 28 percent	177	486	1,189
Non-deductible Expenditure	22	13	81
Non-deductible Legal Fees	5	–	–
Non-assessable Inter-Company Dividends And Profit share of Joint Ventures	–	–	(29)
Non-assessable Government Grant	(9)	(13)	(13)
Prior Period Adjustment	–	–	357
Effect of Buildings Being Held for Sale	–	–	–
Effect of Different Tax Rates in Other Jurisdictions	–	–	91
Other	(7)	–	–
TAXATION EXPENSE/(BENEFIT)	**188**	**486**	**1,676**
Prior Year Adjustment	–	–	357
Current Taxation	188	486	1,448
Deferred Taxation	–	–	(129)
TAXATION EXPENSE/(BENEFIT)	**188**	**486**	**1,676**

Notes to the Financial Statements
for the six months ended 31 December 2014 (cont.)

4. SUBSIDIARIES

Details of the Group's Subsidiaries at 31 December 2014 are as follows:

- Meteorological Service of New Zealand Limited is incorporated in New Zealand and is the parent entity of the Group.
- The Parent has an investment in MetraWeather (Australia) Pty Limited which comprises shares at cost. MetraWeather (Australia) Pty Limited, a company involved in the marketing and promotion of weather and information presentation services, is wholly owned subsidiary incorporated in Australia with a 30 June balance date.
- The Parent has an investment in MetraWeather (UK) Limited which comprises shares at cost. MetraWeather (UK) Limited, a company involved in the forecasting, marketing and promotion of weather and information presentation services, is wholly owned subsidiary incorporated in the United Kingdom with a 30 June balance date.

Details of the Group's Subsidiaries at 31 December 2014 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	Marketing and promotion of weather and information presentation services	Forecasting, marketing and promotion of weather and information presentation services

5. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities as at 31 December 2014 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%

6. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	6 Mths 31 Dec 14 (unaudited) $000s	6 Mths 31 Dec 13 (unaudited) $000s	12 Mths 30 Jun 14 (audited) $000s
Net Surplus for the Year	475	1,250	2,585
Non Cash/Non-Operating Items			
Movement in Foreign Currency Translation Reserve	(32)	–	(15)
Depreciation and Amortisation	3,679	3,195	6,716
Loss on Sale of Fixed Assets	–	–	1
Impairment of Work in Progress	–	–	–
Change in Fair Value of Subsidiary	–	–	–
Share of Profits of Associates	(58)	(62)	(104)
Labour Capitalised	(2,503)	(1,810)	(4,187)
Increase/(Decrease) in Deferred Tax	29	–	220
Restoration Provision	–	–	7
Other Non Cash Operating Items	–	–	(43)
INCREASE/(DECREASE) IN NON-CASH ITEMS	1,115	1,323	2,595
Movements in Working Capital			
(Increase)/Decrease in Receivables	(10,437)	(11,959)	(10)
(Decrease)/Increase in Accounts Payable and Accruals	9,705	11,074	(144)
Decrease/(Increase) in Income Taxation Receivable	(717)	9	554
(Increase)/Decrease in Inventories	15	67	158
Total Movement in Working Capital	(1,434)	(810)	558
NET CASH GENERATED BY OPERATING ACTIVITIES	156	1,763	5,738

Key Performance Indicators
Financial

	Statement of Corporate Intent Target (Full Year)	Actual 6 Months to 31 December 2014
1. Shareholder Returns		
Total Shareholder Return	0.9%	0.0%
Dividend Yield	0.9%	0.0%
Dividend Payout	10.3%	0.0%
Return on Equity (ROE)	16.1%	5.5%
Return on Funds Employed	14.3%	6.3%
2. Profitability/Efficiency		
NPAT ($000s)	3,053	475
EBIT ($000s)	5,050	1,083
EBITDA ($000s)	12,340	4,761
Asset Turnover	1.14	0.97
Operating Margin (EBITDAF)	25.3%	21.4%
Operating Margin (EBIT)	10.3%	4.9%
3. Leverage/Solvency		
Gearing Ratio (net)	42.8%	49.0%
Interest Cover	12.2	9.7
Solvency	0.91	0.98
Debt Coverage Ratio	3.17	7.85
4. Growth/Investment		
Revenue Growth	7.2%	0.2%
EBITDAF Growth	6.3%	-10.8%
NPAT Growth	1.5%	-62.5%
Capital Renewal	1.30	1.12

Key Performance Indicators
Financial (cont.)

NOTES ON THE FINANCIAL KEY PERFORMANCE INDICATORS

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

Key Performance Indicators
Non-Financial

	Statement of Corporate Intent Target (Full Year)	Dec 2014 Actual
Warnings Performance		
POD Heavy Rain (12 months mean)	> 90%	97%
POD Severe Gales (24 months mean)	> 85%	93%
POD Heavy Snow (24 months mean)	> 85%	100%
FAR Heavy Rain (12 months mean)	< 25%	10%
FAR Severe Gales (24 months mean)	< 30%	10%
FAR Heavy Snow (24 months mean)	< 30%	8%
Forecast Accuracy		
Precipitation % Correct (12 months mean)	>80%	88%
Systems Performance & Capability Investment		
Radar % Uptime (12 months mean)	>97%	99.3%
AWS % Uptime (12 months mean)	>98%	99.2%
Social & Environmental Sustainability		
Accidents Lost Time (hrs in past 12 months)	< 40 hr	0
WMO Staff Participation (past 12 months)	10	11

Key Performance Indicators
Non-Financial (cont.)

NOTES ON THE NON-FINANCIAL KEY PERFORMANCE INDICATORS

Measure

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.

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.

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.

Quality Certification
MetService retained full ISO 9001:2008 and Civil Aviation Rule Part 174 certification.

Warning Criteria
MetService is required to issue warnings of widespread hazardous weather, which may cause conditions that could threaten life or property on land. Warnings are issued to a variety of organisations and the media in the form of Severe Weather Warnings.

Warnings of heavy rain are issued when:
Rain is expected to exceed 50mm in six hours; or rain is expected to exceed 100mm in 24 hours.

Warnings of heavy snow are issued when:
Snow is expected to affect areas below 1000m in the North Island; or snow is expected to affect areas below 500m in the South Island; or snow is expected to exceed 10cm in six hours, or 25cm in 24 hours.

Warnings of severe gales are issued when:
Sustained winds are expected to exceed 47kt or gusts exceed 60kt over land.

Company Directory

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Judy Kirk
Te Taru White

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This report is also available online at
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