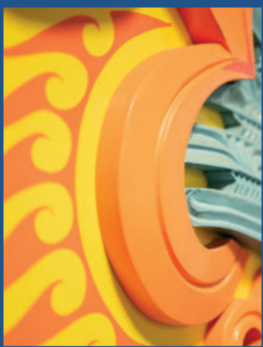
MetService
TE RATONGA TIRORANGI

Annual Report 2018

Tāwhirimātea and children

Mixed-media mural by Dr Clifford (Cliff) Whiting (ONZ) (1936 - 2017) of Te Whānau-ā-Apanui



In the foyer of the Metservice Kelburn office, stands a whakairo taonga (carved treasure), the great mural '*Tāwhirimātea and children*'. The taonga carved from Kauri was presented on 21 February 1984 by Māori artist, heritage advocate and teacher Dr Cliff Whiting.

The mural depicts events in the Māori account of creation. The figure of Tāwhirimātea, God of the Winds, wrestles with his turbulent offspring Te Whanau Puhi, the wind children. Te Ra, the sun, resplendent in orange and yellow radiates energy throughout the cosmos. The pale figure of Marama, the moon, exerts her own influences.

The action of the mural derives from the primeval union of Ranginui, the Sky Father and Papatuanuku, Earth Mother. Their sons Tāne, Tangaroa, Rongo, Haumia and Tu-Matauenga plotted to separate their parents so that they might be free to explore the world. It was Tāne who heaved the parents apart. But one son, Tāwhirimātea, was outraged by this violation and, with his wind children, battled with his brothers.

As well as the major themes of the traditional separation account, the carving portrays the Te Ao Māori perspective on meteorology which pre-dates and informs today's scientific understanding. The sun is the origin of the weather energy. Its heating creates our weather. The moon exerts a gravitational influence. The large spirals of the winds are like the spirals of cloud bands that cover the globe (the direction is as it is in the Southern Hemisphere). The small koru shapes represent the small turbulent eddies in the air and also the sea.

Dr Whiting took inspiration from the community and the environment, both of which are at the heart of MetService's purpose for being. MetService honours Dr Whiting and recognises the cultural significance of *Tāwhirimātea and children* in representing events in the Māori creation account that relate directly to the work we do. We are fortunate to be custodians of this taonga, rich in traditional and contemporary imagery, and highly valued by many outside our own organisation also.

On 16 July 2017, Dr Whiting passed away at the age of 81. Recognised as a pioneer of the modern Māori art movement, Dr Whiting took a central role in designing and developing the contemporary marae at the Museum of New Zealand, Te Papa Tongarewa. The use of custom-wood carvings and other modern, non-traditional materials in this marae was controversial back in the mid-1990s – but a decade before this, he used similarly modern techniques in the carving of Tāwhirimātea and children.

The information above was prepared by former MetService employee Ralph Pannett in August 1984.

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Chair's Report

It gives me great pleasure to deliver this year's annual report for MetService and take the opportunity to share our story as your national weather service.

As a nation we are obsessed with weather and the way it can both enhance and disrupt our lives. It affects everything we do: when to plant and harvest, how to deal with stock and property, whether to throw open the doors or batten down the hatches. It can make or break special events, ground flights, disrupt power supplies, close businesses.

At MetService, we believe that everyone in Aotearoa New Zealand has the right to be safe and prosperous, whatever the conditions. Which is why our people spend every day using their scientific expertise to help others prepare for what's next and make the best decisions possible. Whether it is through our website or app, or the forecasts we deliver on TV, radio and through national print publications, New Zealanders use us, their national weather service, every single day.

Wherever there is weather, there is MetService. With our eyes on the oceans and skies 24-7, we fulfil our dual purpose and the ambition that has been set for us by the Government – to protect the safety and wellbeing of communities while creating and protecting wealth for the economy.

Operational highlights

Over the past year, the MetService further boosted the well being and resilience of communities through the delivery of a number of new products and services including better communication tools for our aviation partners and enhancements to our award-winning road-weather modelling system developed in conjunction with the New Zealand Transport Agency.

From September, MetService completed the full acquisition of MetOcean Solutions Ltd thereby enhancing our marine services. We are excited by the talent and commitment of the MetOcean team and the fresh perspective they bring to our organisation. By connecting our extensive meteorological forecasting network with MetOcean's marine forecasting expertise, we are now even better equipped to deliver comprehensive marine weather services across the more than 5.7 million square kilometres of ocean that surrounds this country.

We know that our ability to boost community wellbeing hinges on our connection with the public and it is up to us to stay relevant and accessible. This year our voice was tested through a significant number of severe weather events impacting the country, including four cyclones that tracked through our area of responsibility. As the climate changes, the number of intense rainfall events is expected to increase over most of the country. Our 24-7 forecast operations that cover aviation, marine, severe weather and media means there is always an expert meteorologist available to make sense of the weather for you.

We also seek to share the benefits of our expertise here at home to help inspire more Kiwis to learn about the weather and how to prepare. MetService was this year proud to partner up with charitable trust House of Science and sponsor the development of a new weather science resource kit for schools. We also joined a number of other agencies in commemorating the 50th anniversary of the sinking of the *Wahine* in Wellington Harbour. The event served as a reminder of Mother Nature's power and the role of our meteorologists in public safety.

Just as the atmosphere is dynamic and constantly changing, so too is the MetService. We continue to invest in our people, in science and in our capability to ensure we can continue to meet the expectations of our communities and customers.

In the past year, MetService has been considering how a bicultural framework can enrich its operational delivery in Aotearoa New Zealand and globally. It can also inform other partnering and social imperatives of the organisation. As examples, MetService has significantly stepped up its commitment to making the company one of diversity and inclusion. The newly-formed Diversity and Inclusion (D&I) Group reflects our intent to be a workplace that celebrates our differences, and where people feel personally valued and able to deliver to their full potential. We have also committed to supporting the Living Wage and to only use or employ contractors in New Zealand who also pay their staff the Living Wage. We want to be a force for positive change not just internally, but wherever we are able to have influence.

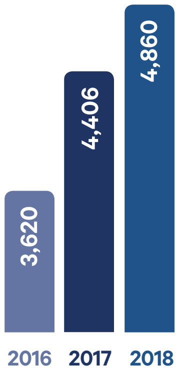
Financial Performance

Our financial performance for financial year 2017/18 (FY18) and achievement of targets set down in the Statement of Corporate Intent reflect the company's successful execution of its strategy. The company has delivered an operating profit of $4.86m, up 10.3% on the previous year. Pre-tax profit is $4.3m and operating revenue has reached $59.7m, driven by year-on-year revenue growth of 7.8%.

MetService ended the financial year in a strong position, with EBIT and revenue up on the prior year's results.

EBITDA ($000)

Operating profit ($000)



7.8%
Growth in total revenue

15.6%
Return on equity

13.2%
Return on funds employed

8.1%
Operating margin

MetService's EBITDA for the FY18 year increased by $1.3m to $14.3m. Total Revenue was $59.7m, and the full-year Net Profit after taxation was $3.35m, 37.3% up on the previous financial year. The gearing ratio at financial year end of 33.5% has been maintained within the Board's targeted range of between 30% and 35%, even with our investment in MetOcean Solutions Limited. This has been achieved by maintaining the momentum of revenue and profitability growth started in the previous financial year, and a commitment to utilising the cash flow this has generated to manage the balance sheet through repaying debt and more targeted investment decisions.

Strong revenue growth associated with the marine sector, services to the aviation industry and advertising on our digital platforms helped achieve a full-year pre-tax profit of $4.28m, 10.8% above last year's result. Cost increases were mainly associated with the MetOcean Solutions Limited acquisition. Cost management has continued to be a focus and has contributed to the strong year-end result.

Interested readers will find detailed financial statements from page 22.

Vision for the future

Of significance for the past year and the years ahead, is the commitment the Board has made to greater understanding and acknowledgement of our heritage. The weather is integral to life in Aotearoa New Zealand and has always been so. From Māori navigators who traversed the oceans to today's most advanced meteorologists, there are lessons to be learnt and applied.

The Board is committed to continuous learning of how our history can inform the organisation and how we can use that to build for the future. We know we will enhance outcomes for New Zealand by embracing traditional and contemporary Māori knowledge and applying that in partnership with Tangata Whenua to create new meteorological innovations that will have global relevance in both a cultural and commercial context.

The challenges we are likely to face in the years ahead are well known to the business and there is no room for complacency.

As the impact of the warming atmosphere and ocean is felt through weather events which are expected to be increasingly severe, MetService must continue to advance its world-class meteorological and oceanographic services to keep people safe and prosperous. As competition increases we need to enhance our innovation and effectiveness to ensure customers continue to choose MetService over the others. We must invest in our people and infrastructure so we can be resilient to change and seize opportunities as they present themselves.

Our ambition is that all New Zealanders better understand their national weather service and make the most of the expertise and support we have to offer. It is up to us to ensure we are delivering tangible benefit to our communities through creative problem solving, adding value, data driven results and partnerships. It's an ambition that the company will be continually driving toward in the years ahead.

Thanks and acknowledgements

As Chair I would like to acknowledge the time and commitment given by my fellow directors and thank former Director Judy Kirk whose term on the Board ended on 30 April 2018 after seven years of service.

On behalf of the Board I would also like to thank our Chief Executive Peter Lennox and the entire senior leadership team for all that has been achieved during the year.

We are custodians of an internationally highly respected organisation of which all New Zealanders should feel a strong sense of ownership and pride.

We look forward to another successful year ahead.

Anthony Howard
Chair

Chief Executive Officer's Report

As New Zealand's oldest, continuous scientific institution, MetService has a proud history of scientific enterprise and social responsibility. For over 150 years, MetService has created connections between complex weather data and environmental factors to help people plan, prepare and get ready – every hour of every day.

We have the staff, expertise, network of resources and the unwavering commitment needed to support communities to remain safe and prosperous. We make complex weather data meaningful so everyone can navigate the conditions and build the economy.

As a result, the people of New Zealand consider MetService as one of the most reputable public sector agencies around. We ended the year on a significant high when research conducted by Colmar Brunton showed MetService as having one of the strongest reputations of public sector agencies.

The public's trust in us is well placed. Over the past year we saw multiple severe weather events disrupting life and business across New Zealand. Year-end data pertaining to our warning performance and observing radar showed we exceeded all key performance targets for accuracy in the detection of heavy rain, severe gales, and heavy snow and for the false alarm ratio of those same features.

Another key milestone achieved was having the Regional Specialised Meteorological Centre (RSMC) Wellington formally designated as an RSMC for Regional Severe Weather Forecasting at the World Meteorological Organization (WMO) Executive Council meeting. In achieving this we have proven that our capabilities and functions satisfy those which recently became Standard Practices in the WMO Technical Regulations.

Significant progress has been made over the year in upgrading our infrastructure and systems to strengthen the resilience of the company's core safety services.

Work will continue through FY19 until the ongoing resilience programme is completed in around 2020. We achieved our targets for Radar and Automatic Weather Station Uptime at 99% for both, ensuring critical data was available when needed.

In FY18 most of our weather modelling was moved to the Cloud, which has resulted in major efficiency gains. In late August, we made the switch to producing Severe Weather Watches and Warnings in the Common Alerting Protocol bringing New Zealand into line with the expectations of both WMO and the community of re-users and aggregators.

The professional capability and service reliability demanded by MetService's safety obligations provide a strong foundation for our commercial business. In turn, with MetService working alongside others at industry's cutting edge, it can apply new technologies and learning back into to its safety services. MetService is 100% funded from commercial contracts with the public and private sector and we wish to thank all the clients who continue to work with us. You can read a number of their stories in the following pages.

Beyond our work with key customers and stakeholders, we also know that our success hinges on our connection with the wider public at large. A significant programme of work has been underway this year to upgrade the website metservice.com which will enable us to be more flexible with content and allow users to customise the site. The changes will also enable us to make future changes more easily and will go live in the new financial year.

As a mark of success, we were also presented with a Good Design Australia, Good Design Award for our weather app this year. It's worth remembering we were one of the first companies to produce a weather app so it's good to know we're keeping ahead of our rivals in this increasingly competitive space.

280+
Employees

100+
WMO meteorologists

30
Different nationalities

230
Community outreach hours

$245k
Donated to charitable and community causes

$4.86m
Operating profit

Our people

With more than 280 employees of 30 different nationalities in New Zealand, Australia, Asia and Europe, MetService is a truly international company. We are particularly proud of the progress made across our organisation in support of the well-being of our people without whom we would not have achieved what we have over the course of the year.

We continue to put health and safety as a top priority, and this year saw the launch of the new Safety at MetService (SAM) safety management system, endorsed by the Civil Aviation Authority (CAA). We ended the financial year with no notifiable health and safety events and no critical programme audit findings.

MetService is also taking steps to build the principles of diversity and inclusion into the very fabric of the organisation. Progress was made this year with the establishment of the Diversity and Inclusion Group, with training on how to recognise and combat unconscious bias rolled out and a new policy approach 'setting the tone' to educate staff on appropriate behaviour in the workplace being developed.

Data reflecting the diversity that exists across MetService is being gathered to ensure the company can track change. We will continue to work in the years ahead to ensure we achieve greater diversity. While the overall gender split is 29% female and 71% male, we are making progress in achieving greater balance, with the percentage of female employees up on last year's 26%.

Finally, I would also like to make special mention of meteorologist and historian Erick Brenstrum who retired in June after 39 years with the organisation and Stephen Harris who also retired in March after 43 years with the company. Their contributions have been significant and the connection between MetService and its former employees remains extremely strong.

Looking ahead

With an expected increase in the extreme nature of some weather events affecting New Zealand, the importance of our work has never been more relevant. Our strategy is to continue our focus on sustaining longer term efficiency and profitability, to leverage more investment in resilience and infrastructure.

We will continue to invest in the right people, partnerships, and innovations that will improve our product offering. As technology improves and automation increases, there is more opportunity for our meteorologists to add value by performing higher order, more complex tasks. Leveraging technology advances for productivity gains is an ongoing priority.

As the financial year came to a close, we received the outcome of a significant study conducted by the New Zealand Institute of Economic Research. The work was commissioned by MetService and the Ministry of Transport, and sought to calculate the value of MetService's public weather forecasts and weather warnings. It found a benefit-to-cost ratio of between 10:1 and 48:1. That means that even at the lowest end of the assessment, we deliver in excess of $230m of value to the country in return for the Ministry of Transport's investment in us. These results however did not include our contribution to marine safety, meaning the total return will be higher again.

The case for the Government's ongoing commitment to MetService as its national weather service, is strong. So too is our commitment to keeping communities safe and prosperous.

Thanks

It has been another strong year for MetService and my thanks goes to our Chair Ant Howard and our Board. I would also like to acknowledge and thank former executive team members Colin Baruch, James Caust, Brian Bell and Mark Ottaway for the contributions they made during their time with MetService. Finally my thanks to all our staff for their ongoing committment and efforts made this year.

Peter Lennox
Chief Executive

Our Mangopare logo

New Zealand's rapid weather changes, frequent rain, distinctive cloud patterns and strong winds all had a huge influence on the daily life of Māori. Each region developed a rich store of insights and knowledge relating to the domain of Tāwhirimātea.

The very first settlers of New Zealand voyaged across the Pacific Ocean in waka using the environment as their navigation aids – the stars, ocean swells, bird flight, and marine creature movements. The tohunga aboard the waka used their expert skills and tikanga knowledge to guide and protect the people from physical and spiritual forces while crossing the huge distances of open ocean to Aotearoa, the land of the long white cloud.

One of those physical and spiritual forces is depicted in our brand symbol, the twin Mangopare (hammerhead sharks). The Mangopare represents strength, leadership, agility, tenacity, unrelenting determination, courage, and wealth.

The dynamic motion of the Mangopare echoes the hydrological cycle that generates our weather and the constant interconnected flow of air and water, sea and sky. The twin Mangopare design reflects the two key aspects of our business - weather prediction and oceanography and their interrelationship.

The twin Mangopare are equally balanced, each component as vital as the other. Their tight partnership embodies the skills and talents of MetService's staff, and their connection to the people we serve and strive to keep safe.

As New Zealand's oldest scientific institute we are informed by the traditional knowledge of Māori and continue to understand the weather with that context, and applying that knowledge for the benefit of all New Zealanders.

Stories from the year

Wellington International Airport and MetService deliver a first for the Southern Hemisphere

MetService is working with the Wellington International Airport to enhance the accuracy of weather data used to guide airline safety and airport activities.

New sensors will be installed into the airport runway while mobile sensors in vehicles will operate over the runway. Together with a forecast and data delivery system, the technology package will provide up-to-the-minute information, turning what is currently a visual assessment of runway conditions into a data-driven, automatic one.

It will be the first time an airport in the Southern Hemisphere has implemented the 'in runway' technology.

For Wellington the key safety issue the airport manages is water contaminant on the runway. However, the technology could also provide necessary information relating to surface temperature, snow, and the potential for icing as well.

Information about the condition of the runway is currently done manually through observation from the control tower and by manual drive-by. Enhancing the accuracy of information for safety aspects and operational airport activities makes business sense for the Airport, while the sharing of data will enable MetService to continually enhance its forecasting abilities which also benefits the airport.

It works by having three iSTAR weather stations installed adjacent to the main runway, each connected to sensors in the runway itself. Every minute, the sensors will relay data to the weather stations regarding the conditions and temperature of the runway.

The data will be fed to MetService and used to forecast the future state of the runway, three days out. Data will also be sent to the air traffic control authority, Airways, where it will be made available to all incoming aircraft.

Mobile weather sensors will also play a part by providing real time information whenever a vehicle checks the runway. This data will be fed to the driver of the host vehicle through a mobile phone app as well as back into the modelling system.

Forecasts will come from MetService's technology partner Foreca in an extension of the joint work being undertaken on New Zealand's roading network. The Finnish company will also use the data to create a visual representation of the runway conditions.

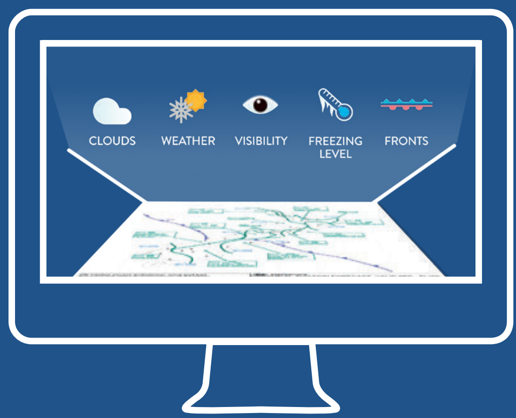
Graphical products make ‘reading’ the weather easier

Our aviation customers told us they needed better communication tools from us and we responded with the delivery of the Graphical Aviation Forecast (GRAFOR) and graphical New Zealand Significant Weather (NZSIGWX) chart.

These two products replace pages of text with visual communication tools that deliver the weather in a single format. They are an example of how we can deliver to the needs of our customers through consultation, co-creation and testing.

The NZSIGWX chart provides forecast information on the horizontal and vertical extent of turbulence, mountain waves, cumulonimbus clouds and icing for flights within the NZZC flight information region; it also provides awareness information for hazardous phenomena such as volcanic ash and radioactive cloud within the NZZC flight information region. The GRAFOR provides the same level of information as the current ARFOR with clouds, weather, visibility, freezing levels and fronts all depicted.

Feedback to date has been overwhelmingly positive.



BBQ index adds a sizzle to the UK’s summer

From July-September 2017 one of the UK’s leading supermarket chains introduced weekly, localised BBQ forecasts in all 491 of its stores to help customers plan their weekends.

Research indicated that 58% of Britons did not know the weather forecast when doing their shopping and more than a fifth said they buy the wrong food for the weather. Additionally, almost a third of customers found themselves commonly doing an additional shopping trip because weather was unexpectedly good or bad.

Enter MetService subsidiary, MetraWeather who used a new piece of software to develop site-specific guidance and push the results to individual stores. Having worked closely with the retailer, staff developed a BBQ index using measures such as warmth and sunshine hours to identify what constituted ‘poor’ through to ‘excellent’ BBQ conditions.

An early forecast was sent on Monday and another on Wednesday providing store managers with guidance for weekend planning. Information boards were placed outside of stores providing customers with the latest weather predictions in their area.

This unique product is just another example of how MetService works creatively with clients to deliver products they love.

Not just forecasts – all sorts of other Stuff too

While everyone knows MetService for its weather forecasts, few people know that the company is also responsible for many of the TV listings, financial data and racing graphics that appear in newspaper titles like the Waikato Times, Dominion Post, Sunday Star Times, Christchurch Press, Nelson Mail, Taranaki Daily News and Southland Times.

New Zealand news platform 'Stuff' is working with MetService to provide information graphics for a range of print publications across the country, as well as video and digital weather content for Stuff's online platform.

MetService's Media Graphics Unit based in Christchurch has a unique role in delivering services to every major print publication in New Zealand.

Having proven how effective MetService is at delivering regular, timely, consistent, high-quality, data-heavy graphics, clients soon asked the team to extend their repertoire into other data series. The team were only too happy to oblige and have been delivering the data now for many years.

International network bolsters 24-7 delivery of safety information

The weather is 24-7 and so too is the MetService commitment to safety and communication.

But as many other round-the-clock professionals will tell you, there is nothing quite like working a night shift.

In a recent change to our operational processes, our UK-based meteorologists are now also part of the daily roster, providing 'night-shift' support for the New Zealand team.

By utilising our team on the other side of the world during their regular business hours, fewer staff are needed to work nights in New Zealand.

The integration of our UK meteorologists has provided greater flexibility across the rosters and increases the number of forecasters in New Zealand available for day or evening shifts.

Award-winning road-weather modelling system going from strength to strength

MetService has continued to deliver innovation to its customers through the award-winning road-weather modelling system developed in 2010, in collaboration with the NZ Transport Agency (NZTA).

Over the year, workshops were held with various user groups. Feedback was used to develop new service features including an online observation and forecast archive; the extension from a one-day to a three-day forecast; the addition of more high-resolution roads to the network, and an increase in the number of mobile weather sensors used.

The success of the programme has resulted in the system being extended into other sectors. MetService are in discussion with road contracting companies to use the same service to display a special road sealing forecast and is currently working on the provision of high resolution runway forecasts, using the same platform.

NZ Police are onboard – they became the first customer beyond NZTA for this service when they signed up for expanded weather services, including the extended use of MetConnect for criminal and traffic investigations and day-to-day operations.

Victoria University of Wellington and MetService deliver a New Zealand first: The Master of Meteorology programme

In May 2018, we welcomed the first ever graduates from the Masters in Meteorology programme, run in partnership between MetService and Victoria University of Wellington (VUW).

Eight students graduated from the only Master of Meteorology programme available in the country. What makes the Master of Meteorology unique is that the students spend the year moving between the University for the academic and theoretical diagnostic and forecasting skills, and the MetService laboratory for practical application utilising state-of-the-art facilities. The graduates are all employed by MetService for their year of study and course fees are covered by the business. They have now progressed to working operationally, full-time at MetService.

MetService and Victoria University have a long-standing relationship built around expertise in meteorology. The Master's programme brings that expertise together in support of a world-class meteorology qualification, the only one of its kind in New Zealand.

The programme is taught by VUW School of Geography, Environment and Earth Sciences Deputy Head of School Professor James Renwick and Senior Lecturer Dr James McGregor, and by MetService's core meteorological instructing team of Chris Webster, Mark Schwarz, Leigh Matheson and Neal Osborne, and senior research scientists Drs Cory Davis and Devin Kilminster.

It has been fantastic to welcome the first class of graduates into fulltime employment at MetService.

Photo: Back row – left to right – Lewis Ferris – Peter Lennox – Dr James McGregor – Andrew James – Ashlee Parkes – Chris Webster
Front row – left to right – Melissa Oosterwijk – Jessie Owen – Juliane Bergdolt – Tahlia Crabtree – Kathryn Boorman

MetService and partner TOA Systems collaborate on South Pacific lightning detection network

MetService is developing a lightning detection network in the South Pacific in partnership with TOA Systems, a leading player in lightning sensor technology and network operation.

Information from the South Pacific Lightning sub-Network (SPLN) will assist with forecasting and monitoring of severe weather events, thereby improving resilience in the Pacific and providing a new level of lightning awareness to both commercial users and National Meteorological Services in the region.

Once the final phase of installation (estimated to begin in 2019) is complete, the SPLN will incorporate 34 sensors. The network will offer a high degree of lightning detection accuracy and efficiency to an area encompassing eastern Papua New Guinea, Kiribati, French Polynesia, the Pitcairn Islands and the nations in between.

These new sensors will work in concert with New Zealand's own network of lightning sensors, as well as over 100 sensors operated nearby by TOA across Australia, Guam and Hawaii as well as around 500 sensors in the Global Lightning Network.

The SPLN is made possible in part by a grant from the Pacific Fund administered by the French Government.

The network represents how state meteorological services and private companies can collaborate in the name of innovation and scientific excellence. The SPLN is operated and monitored by TOA, with MetService providing engineering and sales support.

This will be the first time many Pacific Island nations have had access to real time lightning data in their region. We expect this data to become invaluable to decision-makers and communities.

Peter Fisher,
MetService Business Development Manager.

A shared focus on safety brings MetService and Mountain Safety Council closer together

In February 2018, the Board and the Mountain Safety Council (MSC) signed a new Partnership Statement of Intent outlining key areas of collaboration and shared priorities.

MSC are a national organisation with a mandate to encourage safe participation in land-based outdoor activities. They do this through the development and promotion of insight-driven safety messaging and by partnering with others.

The shared focus on safety makes this relationship of great value for both parties – one that is considered instrumental in saving the lives of people who experience New Zealand's natural environment. MetService sits on the board of MSC.

As part of the partnership, MSC's interactive 'Plan My Trip' tool is live on all mountains and parks forecast pages on the MetService website while the tool itself emphasises the importance of checking the weather and links the user back to MetService. Live weather forecasts will be added to this tool in the coming year.

MetService have also provided expert meteorological advice and input into content created by MSC for consumers.

We connect with our community

Giving back to our communities

Throughout the year, MetService has supported community and public initiatives through our Social Investment programme, which offers value to charities in the form of advertising space donated on the MetService website.

This year we donated more than $230,000 to charities and organisations who were then able to take advantage of the more-than two million unique users that visit metservice.com every month.

We also donated more than $13,000 to Surf Life Saving in support of their efforts to keep people safe in our oceans. The money came from unclaimed refunds set aside for customers who paid for the MetService app from 1 January 2017 until the time that the new, free app was launched in mid-April.

In addition to the advertising, MetService staff donate their time and expertise to worthy causes. All permanent MetService staff get one 'community day' each year and this year we racked up 230 hours across the business.

We have delivered presentations to Rotary Clubs, to schools, community groups and hosted a range of groups at our Kelburn head office.

Beyond these events, MetService staff have thrown their support behind Māori Language Week, Chinese Language Week, Get Ready Week, Safer Boating Week, Cyber Smart Week and Pink Shirt Day to name only a few.

Photo: MetService staff enjoying their community day as a team.

Teaming up with House of Science

MetService was this year proud to partner up with House of Science and sponsor the development of a new weather science resource kit, 'Weather Ready'.

House of Science are a charitable trust providing science resources to schools and professional learning for teachers to raise scientific literacy. Communications meteorologist Lisa Murray worked closely with the organisation to develop their first ever weather kit providing content and graphics, and also participating at events to promote the kit.

The Weather Ready kit teaches children about the concepts behind the weather and will be introduced to Wellington schools once it has been translated into Te Reo. Some of the activities include making a cloud in a jar, a tornado in a bottle and making it rain!

Photo: Lisa Murray showcases the weather at the Space & Science Festival in Wellington.

Commemorating the *Wahine* and the role of MetService in keeping communities safe

Tuesday 10 April, marked 50 years since the Lyttelton to Wellington ferry *Wahine* sank in the Wellington Harbour in what is considered New Zealand's worst modern maritime disaster.

MetService staff took part in a number of commemoration events held across Wellington, recognising the role played by the weather and the forecast, in the events that unfolded. Meteorologist and historian Erick Brenstrum delivered a talk to staff and the public, around the weather of the day and the science behind the events, drawing on his years of research.

Members of our meteorology team also took part in the "PS: Are you prepared?" exhibition on the waterfront, reinforcing the message that the MetService weather forecast should always be part of preparations, regardless of what you are doing.

It was a day for sharing stories of rescue and survival, and reflecting on those who lost their lives. It was also a unique opportunity for MetService to highlight the advances that have been made in forecasting over the years since the disaster.

Supporting safety on the ocean during Safer Boating Week

MetService supported Safer Boating Week in October with information disseminated on social media and via traditional media channels, to help people to better understand marine forecasts.

The week kicked off with its annual Wharf Jump in both Wellington and Auckland – with MetService staff braving the cold for the cause. The event was also an opportunity for MetService to encourage use of its Marine app, containing recreational and coastal marine forecasts, as well as rain radar, rain forecasts, severe weather information, tides and more.

MetService Marine forecasts are also broadcast over VHF channels by Coastguard and Maritime Radio services around the country.

Research project takes MetOcean staffer to Antarctica

I came to New Zealand seven years ago because of my love for Antarctica. This time I got to see the continent and that took the experience to a whole new level

Dr Aitana Forcén-Vázquez

Maintaining connections to the wider science community is critically important for staff as they undertake continuous research alongside their day-to-day roles.

This year, physical oceanographer Dr Aitana Forcén-Vázquez spent six weeks on NIWA's research vessel *Tangaroa*, as part of the Ross Sea Outflow Experience project.

The objectives of the voyage were to make oceanographic observations and deploy fixed moorings to investigate the export of Antarctic Bottom Water from the Ross Sea and water mass variations across the study region. Aitana was one of 23 scientists from the Universities of Auckland and Canterbury, and NIWA along with 17 vessel crew.

It was Aitana's second visit to Antarctica and fourth research trip on *Tangaroa*. Her research includes measuring ocean temperature, salinity and currents over the course of a year, near the Antarctic Continental Shelf.

The *Tangaroa* will return to the area in a year's time, to collect the equipment before returning it safely into Aitana's hands where the science will continue. The project was funded by Deep South National Science Challenge and completed with Dr Melissa Bowen from University of Auckland.

On-board the HMNZS Wellington

Meteorologist turned storm chaser Lisa Murray spent an eventful three weeks on-board the HMNZS Wellington assisting the New Zealand Defence Force to test their helicopters.

Her role was to find and guide the vessel toward a range of precise weather conditions, including severe weather, so that the crew could conduct flight trials. The trials had to include taking off and landing from the deck of the ship, in all types of conditions.

Lisa produced at least twice-daily marine forecasts to determine where the vessel should travel to in order to experience varying weather conditions.

She was then also responsible for delivering the aviation forecast that pilots used to determine whether it was safe to complete the exercises and test the helicopter performance.

Having first tested through all conditions the Hauraki Gulf could throw at them, the HMNZS Wellington headed further north and on toward Fiji.

Lisa says the experience was quite unlike anything she had done before. "Typically we do everything we can to keep people clear of high-impact weather – in this case we were chasing it."

"It was an honour to support New Zealand's Defence Force in achieving their mission."

Photo: Left to right Phil Duncan, Testing Engineer, Prism Defence, Lisa Murray, Lieutenant Commander Damian Gibbs, RNZN.

Outstanding staff maintain our culture of excellence

As New Zealand's oldest, continuous scientific institution, MetService has a proud history of scientific enterprise and social responsibility. For over 150 years, our people use their skill to make weather meaningful and help everyone make better decisions.

One such MetService figure, Henry Hill was a dedicated and much respected forecaster with huge enthusiasm both for meteorology and helping others.

MetService first established the Henry Hill Award in 1985, awarding it to the employee who has demonstrated those same values to the highest degree. To date, 31 staff have been awarded the honour and it has become part of the fabric of MetService.

This year the award went to Auckland-based consultant meteorologist Georgina Griffiths, a familiar face to many. Georgina regularly appears on live TV and in on-line news videos providing all the information needed to keep the public safe.

Georgina is also the go-to meteorologist for a number of customers in times of severe weather when bespoke advice is needed. She advises local government officials and industry representatives of what to expect, and when, and how to prepare.

A truly connected and committed member of your community.

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 Chartered Member of the Institute of Directors in New Zealand.

Sophie Haslem, Deputy Chair and Chair, Audit and Risk Assurance

Sophie Haslem has over 20 years of broad commercial experience working across both large established corporate entities and early stage growth companies. Her diverse industry exposure includes logistics, banking, infrastructure, hi-tech manufacture/export, software development, digital/mobile services, direct marketing, registries, BPO, insurance and energy. Sophie is a Chartered Member of the Institute of Directors in New Zealand.

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.

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 and a member of its Waikato branch. Margaret brings to the Board significant experience in both the retail and infrastructure sectors.

*Judy Kirk's term ended on 30 April 2018.

Stephen Eaton

Stephen Eaton has held chief executive and senior management roles in the financial services and asset management sectors in New Zealand, including seventeen years as CEO of a significant national company with assets of $12 billion. He brings expertise in corporate governance, risk management and compliance, as well as proficiency in business strategy and profitability. He provides advice to companies on capital raising and expansion strategies. He is a Member of the Institute of Directors in New Zealand.

Dr Wendy Lawson

Dr Wendy Lawson was appointed to the Board for a three-year term commencing 1 May 2018. Dr Lawson is currently the Pro-Vice-Chancellor – Science at the University of Canterbury with operational responsibility for the College of Science. She has research interests in glaciology, hydrology and Antartica. She holds a Bachelor of Science (Honours) from the University of Manchester and a Doctor of Philosophy.

Tupara Morrison

Tupara Morrison has extensive governance and senior executive experience within the health, tertiary education, iwi development and tourism sectors. He is currently a board member of Competenz Trust and holds a ministerial board appointment to Te Puia, the New Zealand Māori Arts and Crafts Institute. Of Te Arawa and Ngati Whakaue descent, Tupara is a Chartered Accountant and Fellow of CAANZ, and a Member of the Institute of Directors in New Zealand.

Roanne Parker

Roanne Parker has founded, partnered, grown and sold several companies across a broad range of sectors over 25 years. Today her commercial interests are predominantly in the areas of digital, technology and marketing data, from where she has delivered expertise to many of New Zealand's most successful organisations, along with mentoring and support to earlier stage companies. Roanne brings to the board M&A expertise and an entrepreneurial viewpoint. She holds a Certificate of Company Direction from the Institute of Directors in New Zealand.

Governance Overview

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

Shareholders

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

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

Shareholder communication

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

The Board

The MetService Board may comprise up to nine directors, all of whom must be non-executive and independent. As at 30 June 2018, the Board comprised eight directors. Each director is considered to be independent, in that each is independent of the management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the directors' unfettered and independent judgement.

In accordance with the Board Charter, the Chair takes the leadership role in the conduct of the Board and its relationship with the Shareholding Ministers and other stakeholders. The Chair also has a strong working relationship with the Chief Executive. The Chair has no external commitments that conflict with the Chair's role.

The Shareholding Ministers appoint directors under the process described in the Owner's Expectation Manual. Judy Kirk retired from the Board in April 2018, with Sophie Haslem appointed as Deputy Chair. Wendy Lawson was appointed in May 2018, with Margaret Devlin and Brent Armstrong reappointed for another term of three years.

The Board's role

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

- to be as profitable and efficient as comparable 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 sets strategy to achieve these objectives and, in the context of the approved policies and risk and compliance framework within which the company operates, monitors those strategies. The Board has delegated day-to-day management to the Chief Executive.

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

Access to information

If circumstances warrant additional assurance, the Board or individual directors may request independent and additional advice at the company's expense to assist them in carrying out their responsibilities. Such requests are made in consultation with the Chair and facilitated through the Company Secretary.

Board meetings

In the last financial year, the Board met 12 times as scheduled (together with additional meetings as required). The Board also holds two strategic planning sessions each year to consider strategic issues in conjunction with the Chief Executive and the Executive Team.

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

Board committees

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

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

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

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee is chaired by Sophie Haslem and comprises four directors. The committee holds up to four meetings a year and may hold additional meetings as required. The committee assists the Board in discharging its management, accounting and financial reporting responsibilities, including:

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

Remuneration Committee

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

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

- 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.

Health and safety

The Board continues to champion health, safety and wellbeing across the MetService Group. To support the vision 'Health and Safety starts with me', the strategy was signed off by the Board in April 2017 to consolidate the learnings and grown 'just culture' principles within the Group and development of a wellbeing model based on Te Whare Tapa Wha. Visits to MetService worksites across New Zealand have been undertaken this year so that each director becomes personally aware of the nature of MetService's operations and generally of the hazards and risks associated with those operations.

The Board's Health and Safety Charter is reviewed annually, and the Board supports the Good Governance Practices Guideline for Managing Health and Safety Risks produced by the Institute of Directors in New Zealand and WorkSafe New Zealand.

Risk management

Management of risk is a key focus of the Board, as it is crucial to the protection of shareholder value. The MetService Group has in place a comprehensive risk management and internal control framework to identify and treat all key strategic and business risks.

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

The following specific actions are taken:

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

Integrity standards

The Board supports the principles set out in the Codes of Proper Practice for Directors as published by the Institute of Directors in New Zealand. 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 Expectations Manual deal with the disclosure of interests by directors, and with participation and voting at Board meetings where any such interests are relevant.

Directors are regularly requested to make general disclosures of interest, which are recorded in the Register of Interests and set out in the Statutory Information on pages 49-50 of this report.

Governance best practice

The Board has confirmed that its corporate governance policies, practices and procedures are in accord with the Financial Markets Authority's Corporate Governance – Principles and Guidelines Handbook 2018, in the material respects for which they are appropriate for an SOE.

Number Crunch

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	Group 2018 $000s	Group 2017 $000s
Total Revenue and Other Income	3	**59,711**	**55,370**
Operating Expenses			
Employee Benefits Expense	4	28,615	26,285
Communication Costs		705	836
Data Acquisition Costs		5,078	3,687
IT Costs		4,309	3,630
Marketing Costs		432	616
Occupancy Costs		481	595
Operating Lease Expenses		1,756	1,770
Office Expenses		301	302
Professional Expenses		1,272	1,495
Other Costs		2,496	3,207
Depreciation and Amortisation Expense		9,406	8,541
Total Operating Expenses	5	**54,851**	**50,964**
Operating Profit		**4,860**	**4,406**
Financial Costs	7	572	495
Share of Loss of Jointly Controlled Entity	15	-	40
Profit Before Taxation		**4,288**	**3,871**
Taxation	6	937	1,431
Net Profit		**3,351**	**2,440**
Net Profit is attributable to:			
Owners of Meteorological Service of New Zealand		3,351	2,286
Non-controlling Interests		-	154
		3,351	**2,440**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Movement in Foreign Currency Translation Reserve		74	269
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,277**	**2,171**

Total comprehensive income for the period is attributable to:		
Owners of Meteorological Service of New Zealand	3,277	2,017
Non-controlling Interests	-	154
	3,277	**2,171**

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

Statement of Financial Position
as at 30 June 2018

	Note	Group 2018 $000s	Group 2017 $000s
Equity			
Issued Capital	8	5,000	5,000
Foreign Currency Translation Reserve		(507)	(433)
Retained Earnings		16,568	16,122
Attributable to owners		**21,061**	**20,689**
Non-controlling Interests		**-**	**1,155**
Total Equity		**21,061**	**21,844**
Liabilities			
Trade and Other Payables	9	5,737	5,506
Financial Liabilities	24	17	23
Income Taxation Payable		617	545
Employee Benefits	11	1,853	1,891
Total Current Liabilities		**8,224**	**7,965**
Deferred Taxation	6	1,003	1,475
Provisions	12	575	574
Employee Benefits	11	69	104
Borrowings	13	15,000	15,500
Total Non Current Liabilities		**16,647**	**17,653**
TOTAL LIABILITIES AND EQUITY		**45,932**	**47,462**
Assets			
Cash and Cash Equivalents	23	4,420	5,901
Trade and Other Receivables	10	6,751	5,875
Inventories	14	440	347
Total Current Assets		**11,611**	**12,123**
Trade and Other Receivables	10	171	-
Property, Plant and Equipment	18	14,549	16,022
Intangible Assets	19	19,601	19,317
Total Non Current Assets		**34,321**	**35,339**
TOTAL ASSETS		**45,932**	**47,462**

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 29 August 2018.

A Howard
Director

S Haslem
Director

Statement of Changes in Equity
for the year ended 30 June 2018

		Attributable to Owners					
GROUP 2018	Note	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total Balance $000s	Non-controlling Interests $000s	Total $000s
Equity as at 1 July 2017		**5,000**	**16,122**	**(433)**	**20,689**	**1,155**	**21,844**
Comprehensive Income							
Net Profit		–	3,330	–	3,330	21	3,351
Currency Translation Differences		–	–	(74)	(74)	-	(74)
Total Comprehensive Income		**–**	**3,330**	**(74)**	**3,256**	**21**	**3,277**
Transactions with Owners							
Dividends Relating to 2018	20	–	(1,060)	–	**(1,060)**	–	(1,060)
Total Transactions with Owners		**–**	**(1,060)**	**–**	**(1,060)**	–	**(1,060)**
Acquisition of non-controlling Interests	15	–	(1,824)	–	(1,824)	(1,176)	(3,000)
Total Non-controlling Interests		**–**	**(1,824)**	**–**	(1,824)	**(1,176)**	**(3,000)**
EQUITY AS AT 30 JUNE 2018		**5,000**	**16,568**	**(507)**	**21,061**	–	**21,061**
GROUP 2017							
Equity as at 1 July 2016		**5,000**	**15,136**	**(164)**	**19,972**	-	**19,972**
Comprehensive Income							
Net Profit		–	2,286	–	2,286	154	2,440
Currency Translation Differences		–	–	(269)	(269)	-	(269)
Total Comprehensive Income		**–**	**2,286**	**(269)**	**2,017**	**154**	**2,171**
Transactions with Owners							
Dividends Relating to 2017	20	–	(1,300)	–	**(1,300)**	–	(1,300)
Total Transactions with Owners		**–**	**(1,300)**	**–**	**(1,300)**	–	**(1,300)**
Non-controlling Interests arising on business combination	15	–	–	–	–	1,001	1,001
Total Non-controlling Interests		**–**	**–**	**–**	–	**1,001**	**1,001**
EQUITY AS AT 30 JUNE 2017		**5,000**	**16,122**	**(433)**	**20,689**	**1,155**	**21,844**

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

Statement of Cash Flows
for the year ended 30 June 2018

	Note	Group 2018 $000s	Group 2017 $000s
Cash Flow from Operating Activities			
Cash was Provided from:			
Receipts from Customers		58,675	54,453
Interest Received		76	114
Cash was Applied to:			
Payments to Suppliers and Employees		(45,230)	(40,993)
Interest Paid		(648)	(608)
Income Taxation Paid		(1,303)	(1,264)
Net Cash Generated by Operating Activities	21	**11,570**	**11,702**
Cash Flow from Investing Activities			
Cash was Provided from:			
Proceeds from Disposal of Property, Plant and Equipment and Intangibles		14	16
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangibles		(4,181)	(2,462)
Labour Capitalisation (Assets)		(4,324)	(5,036)
Net Cash Used by Investing Activities		**(8,491)**	**(7,482)**
Cash Flow from Financing Activities			
Cash was Applied to:			
Repayment of Borrowings		(500)	(1,500)
Acquisition of MetOcean Solutions Limited		(3,000)	–
Dividends		(1,060)	(1,300)
Net Cash Generated by Financing Activities		**(4,560)**	**(2,800)**
Net Increase in Cash and Cash Equivalents		**(1,481)**	**1,420**
Add Cash and Cash Equivalents at the Beginning of the Year		5,901	3,997
Add Cash and Cash Equivalents from MetOcean Solutions Limited on consolidation	15	-	484
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**4,420**	**5,901**

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 2018

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 29 August 2018.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

Standards adopted for the first time

The amendments to NZ IAS 7 Statement of Cash Flows (disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Company has included the additional required disclosures in Note 13 of the 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 2018 addresses the classification, measurement and recognition of financial assets and liabilities and replaces guidance in NZ IAS 39 Financial Instruments Recognition and Measurement. The standard introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in NZ IAS 39. The Group intends to adopt NZ IFRS 9 effective from 1 July 2018 and has completed an initial review of the impact of the adoption. Given the nature of financial assets and liabilities held the impact of applying the standard is not expected to be material.

NZ IFRS 15 'Revenue from contracts with customers' – effective for annual periods beginning on or after 1 January 2018. 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. Management has completed a detailed analysis of the main customer groups and conclude that there will be minimal change to the way that revenue is reported under the new standard. The Group will apply this standard from 1 July 2018 using the modified retrospective approach.

NZ IFRS 16 'Leases' – effective for periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the existing NZ IAS 17. This standard will introduce a single lessee accounting model and requires recognition of assets and liabilities for all leases with a term of more than 12 months. The Group has yet to assess NZ IFRS 16's full impact. The Group will apply this standard from 1 July 2019.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2018. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All 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 financial statements of the Group.

Non-controlling Interests
The Group has elected to recognise the non-controlling interests as its proportionate share of the acquired net identifiable assets. Equity is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Revenue

Revenue is measured at the fair value of the consideration receivable 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
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred; and
- funding is recognised in arrears, on submission of required reporting for the funding.

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 Statement 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 plus other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for the intended service. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

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

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2018

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

Intangible assets

Goodwill

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

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

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

Internally-generated intangible assets - computer software

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

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

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

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

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

Research and development costs

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

Leases

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration provision

Restoration costs include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas. The restoration costs are based on management's best estimate of the amount required to settle the obligation. Movements in the restoration provision are recognised as profit or loss 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.

Tax

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

Current tax

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

Deferred tax

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

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

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

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

Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2018

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

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

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

Financial instruments

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

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 as well as cash and cash equivalents 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 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, termination leave 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.

The Group enters into forward exchange contracts. They are accounted for as held for trading with gains or losses recognised in the Statement of Profit of Loss and Other Comprehensive Income.

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

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

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

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

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

Goods and Services Tax

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

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

Share capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Note 12: Provisions

Note 19: Intangible assets - measurement of goodwill impairment of subsidiaries and Internally generated intangible assets

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2018

3. REVENUE	Note	Group 2018 $000s	Group 2017 $000s
Investment Fair Value increase	15	–	256
Government Grant (i)		700	42
Construction Contract (ii)		586	–

(i) Government Grants - there are no unfulfilled conditions or other contingencies attached to these grants.

(ii) A contract for the construction of a lightning detection network was in progress at 30 June. Revenue of $586,000 has been recognised based on the percentage of completion of the project as per the detailed work plan. Costs of $524,000 and a resulting profit of $62,000 have also been recognised in the reporting period. Both revenue and costs recognised in the financial year are in year-end accounts receivable and accounts payable respectively.

4. EMPLOYEE BENEFITS EXPENSE	Group 2018 $000s	Group 2017 $000s
Wages and Salaries	30,329	29,120
Termination Benefits	23	3
Severance Payments	439	62
Defined Contribution Pension Plan Expense	691	662
Labour Capitalised	(4,325)	(5,036)
Contractors/Temporary Staff	969	679
Other Employee Benefits	489	795
TOTAL EMPLOYEE BENEFITS	**28,615**	**26,285**

5. OPERATING EXPENDITURE	Group 2018 $000s	Group 2017 $000s
Profit for the year has been arrived after charging/(crediting)		
Audit Fees of Financial Statements paid to PwC	131	113
Audit Fees Related to IFRS Transition	20	–
Audit Fees Related to Audit of Subsidiary MetraWeather (UK) Ltd paid to Crowe Clark Whitehall (CCW)	22	18
Audit Fees Related to Audit of Subsidiary MetOcean Solutions Ltd paid to Staples Rodway	–	17
Audit Fees Related to MetraWeather (Thailand) Ltd paid to Morakot Lao-Amnuaychai	2	2
Fees Paid to CCW (UK) for Business Services	28	16
Fees Paid to PwC for Consolidation Advice	–	3
Fees Paid to PwC for IT Consulting resulting from PwC acquisition of Unite Software and Solutions Ltd	39	13
Research Expenditure	915	680
Loss on Disposal of Property, Plant and Equipment	59	163
Impairment of Intangible Assets	206	171
Directors' Fees	217	213
Software Development Expenditure	–	7
Foreign Exchange (Gains)	(237)	(177)
(Decrease)/Increase in Provision for Doubtful Debts	(49)	79

6. TAXATION

	Group 2018 $000s	Group 2017 $000s
Net Profit Before Taxation	4,288	3,871
Prima Facie Taxation Thereon at 28%	1,201	1,084
Non-Deductible Legal Fees	6	6
Non-Deductible Expenditure	95	34
Non-Assessable Profit Share of Joint Ventures	–	11
Non-Assessable Government Grant	–	(9)
Prior Period Adjustment	(422)	53
Effect of Different Tax Rates in Other Jurisdictions	(107)	2
Effect of Deferred Tax Liability - MetOcean Solutions Limited	–	(230)
Re-recognise Deferred Tax Asset - MetraWeather (UK) Limited	(403)	–
Write off Deferred Tax Asset - MetraWeather (UK) Ltd	–	480
Other	567	–
TAXATION EXPENSE	**937**	**1,431**
Current Taxation	1,474	1,348
Prior Period Adjustment - Current Taxation	(63)	101
Deferred Taxation	(115)	30
Prior Period Adjustment - Deferred Taxation	(359)	(48)
TAXATION EXPENSE	**937**	**1,431**
Deferred Tax		
Deferred tax (liabilities)/assets arise from the following:		
TEMPORARY DIFFERENCES		
Property, Plant and Equipment	(962)	(1,028)
Intangible Assets	(915)	(936)
MetOcean Solutions Ltd	–	(167)
Provisions and Other Liabilities	706	656
Net deferred tax liability	**(1,171)**	**(1,475)**
Deferred tax assets arise from the following:		
MetraWeather (UK) losses carried forward	168	–
Deferred tax asset	**168**	–
Deferred Taxation		
Opening Balance	(1,475)	(908)
MetOcean deferred tax liability recognised on consolidation	–	(482)
On Profit for the Year	115	(267)
Effect of Deferred Tax Liability - MetOcean Solutions Limited	–	230
Prior Period Adjustment	359	(48)
Other	(2)	–
CLOSING BALANCE	**(1,003)**	**(1,475)**
IMPUTATION CREDITS FOR USE	**7,358**	**7,153**

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.

Following a significant improvement in trading conditions in MetraWeather (UK) Limited, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which tax losses can be utlised. The subsidiary has generated a taxable income for the current period and is expected to generate taxable income from 2019 onwards. As a consequence, a deferred tax asset of $403,000 has been recognised.

A corporate tax rate of 28% applies in both the 2018 and 2017 income tax years.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2018

7. FINANCE COSTS – NET	Group 2018 $000s	Group 2017 $000s
Interest Revenue		
Bank Deposits	35	61
Use of Money Interest	-	2
Other	41	53
Total Finance Income	**76**	**116**
Interest on Bank Overdrafts and Loans	648	608
Use of Money Interest	-	3
Total Finance Costs	**648**	**611**
FINANCE COSTS - NET	**572**	**495**

8. ISSUED CAPITAL	Group 2018 $000s	Group 2017 $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.

9. TRADE AND OTHER PAYABLES	Group 2018 $000s	Group 2017 $000s
Trade Payables	1,860	1,995
Other Payables	123	254
Accruals	3,008	2,774
Income in Advance	746	483
TOTAL TRADE AND OTHER PAYABLES	**5,737**	**5,506**

10. TRADE AND OTHER RECEIVABLES	Group 2018 $000s	Group 2017 $000s
Trade Receivables	4,881	3,600
Allowance for Impairment	(30)	(79)
	4,851	**3,521**
Prepayments	1,147	1,158
Sundry Debtors - current	753	1,196
TOTAL TRADE AND OTHER RECEIVABLES - CURRENT	**6,751**	**5,875**
Sundry Debtors - non current	171	-
TOTAL TRADE AND OTHER RECEIVABLES - NON CURRENT	**171**	-

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 $944,162 (2017: $282,376) 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 2018 $000s	Group 2017 $000s
Ageing Past Due Trade Receivables (Not Impaired)		
30-60 days	226	129
60–90 days	377	95
Above 90 days	341	58
TOTAL	**944**	**282**

Movement in the Allowance for Impairment		
Balance at Beginning of the Year	79	–
Doubtful Debts	30	79
Impairment Losses Reversed	(79)	–
BALANCE AT END OF THE YEAR	**30**	**79**

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 $30,410 (2017: $78,623) 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.

11. EMPLOYEE BENEFITS

	Group 2018 $000s	Group 2017 $000s
Annual Leave Entitlement	1,841	1,891
Termination Leave	81	104
TOTAL EMPLOYEE BENEFITS	**1,922**	**1,995**
Termination Leave		
Opening Balance as at 1 July	104	107
Reductions Arising from Payments/ Other Sacrifices of Future Economic Benefits	(23)	(3)
CLOSING BALANCE AS AT 30 JUNE	**81**	**104**
Termination Leave – Current	12	–
Termination Leave – Non Current	69	104
CLOSING BALANCE AS AT 30 JUNE	**81**	**104**

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 2018

12. PROVISIONS	Group 2018 $000s	Group 2017 $000s
Non Current		
Restoration Provision	575	574
TOTAL NON CURRENT PROVISIONS	**575**	**574**
Restoration Provision		
Opening Balance as at 1 July	574	481
Change for Passage of Time	(21)	82
Effects of Changes in Discount Rates	22	11
CLOSING BALANCE AS AT 30 JUNE	**575**	**574**

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 2.84% (2017: 2.73%) as the discount rate and assumed a 1.1% (2017: 2.2%) 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 2018: $325,321 (2017: $295,043).

13. BORROWINGS	Group 2018 $000s	Group 2017 $000s
Unsecured		
Non Current		
Bank Loan	15,000	15,500
TOTAL BORROWINGS	**15,000**	**15,500**

The Parent has a multi-option credit line facility with Westpac Banking Corporation to the value of $4,000,000. Interest is charged on drawn amounts at the cash rate plus a corporate margin of 90 basis points as at 30 June 2018. There is a line of credit charge of 0.035% per month on the commitment during that month.

The Parent has an on-going term loan agreement with the Westpac Banking Corporation. The loans have interest rates that are fixed and due for renewal between 2 December 2018 and 18 June 2021. The bank loans will mature on 30 June 2022. The average interest rate for the loans as at 30 June 2018 is 4.19% (2017: 4.23%).

These loans are secured by a negative pledge that is subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and total leverage ratio. As at 30 June 2018, all banking covenants had been complied with.

Net Debt Reconciliation

Borrowings at 30 June 2018 were $15m, down $500,000 from 30 June 2017 due to loan repayments.

14. INVENTORIES	Group 2018 $000s	Group 2017 $000s
Meteorological Consumables	440	347
TOTAL INVENTORIES	**440**	**347**

The cost of inventories recognised as an expense during the year was $428,949 (2017: $462,331).
No provision has been made against inventory items held at year end.

15. METOCEAN SOLUTIONS LIMITED

On 29 September 2017, the Group exercised its option and acquired the remaining 51% investment in MetOcean Solutions Limited. Cash consideration of $3million was paid to the non-controlling shareholders. The following is a schedule of additional interest acquired in MetOcean Solutions Limited:

	$000s
Carrying amount of non-controlling interests acquired	1,176
Consideration paid to non-controlling interests	(3,000)
Excess consideration paid recognised in parent's equity	**(1,824)**

PRIOR YEAR

On 1 August 2013, the Group acquired a 49% stake in MetOcean Solutions Limited for $3million.

At 30 June 2017, MetService held a call option to acquire the remaining 51% interest in MetOcean Solutions Limited and the sellers held a put option to sell their interest to the Parent. The call option became exercisable on 1 August 2016. It has been determined at that point that MetService held substantive rights over MetOcean Solutions Limited and therefore was fully consolidated into the Group. Prior to August 2016 the investment was accounted for using the equity method. The Group's share of loss of the jointly controlled entity for July 2016 was $40,000.

The fair value of assets and liabilities recognised as a result of the consolidation as at 1 August 2016 are as follows:

	$000s
Cash and Cash Equivalents	484
Trade and Other Receivables	440
Land and Buildings	5
Plant and Equipment	106
Intangibles - Software	1,722
Current Tax	28
Trade and Other Payables	(192)
Employee Benefits	(149)
Deferred Tax Liability	(482)
Add: goodwill	2,425
Sub-total	4,387
Less: non-controlling interests	(1,001)
Net Assets Consolidated	**3,386**

The goodwill is attributable to the internal intellectual property.
This is represented by:

Cash Consideration	3,000
Share of Profits of Jointly Controlled Entity	130
Investment Fair Value increase	256
Net Assets Consolidated	**3,386**

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2018

16. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 30 June 2018 are as follows:

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

Names	MetraWeather (Thailand) Limited	MetOcean Solutions Limited*
Place of Incorporation and Operation	Thailand	New Zealand
Balance Date	30 June	30 June
Principal Activity	Marketing and Promotion of Weather and Information Presentation Services.	Oceanography and Meteorology

*The reporting date of MetOcean Solutions Limited was changed to 30 June.

On 1 July 2018, MetOcean Solutions Limited has been amalgamated with MetService. All business operations remain the same.

17. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

Loans to/(from) Subsidiaries

The Parent provides funds to MetraWeather (Australia) Pty Limited, MetraWeather (UK) Limited and MetraWeather (Thailand) Limited via an intercompany account.

Balances are interest free and the parent has no intention of requesting payment in the near future.

Compensation of Key Management Personnel

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

Key management personnel includes Directors and the Executive Team.

	Group 2018 $000s	Group 2017 $000s
Total Salaries	1,842	1,309
Performance Pay Paid Relating to Prior Year	304	293
Defined Contribution Pension Plan Expense	64	49
Directors' Remuneration	217	213
	2,427	**1,864**

Other Related Parties

The group acquired marketing services from entities controlled by key management personnel to the value of $11,050. Balances in accounts payable as at 30 June 2018 were $977.

Relationship with the Crown

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

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

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

18. PROPERTY, PLANT & EQUIPMENT

GROUP 2018	Land & Buildings $000s	Meteorological Equipment & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Work In Progress $000s	**Total $000s**
Cost	9,835	24,498	8,374	261	**42,968**
Accumulated Depreciation and Impairment	(6,331)	(14,751)	(7,337)	–	**(28,419)**
CARRYING AMOUNT	**3,504**	**9,747**	**1,037**	**261**	**14,549**
Opening Carrying Amount	3,814	10,414	1,502	292	**16,022**
Additions at Cost	33	394	303	363	**1,093**
Disposals	–	(565)	(5,647)	–	**(6,212)**
Asset Transfers	48	(48)	11	60	**71**
Depreciation	(575)	(1,283)	(713)	–	**(2,571)**
Accumulated Depreciation Recovered	–	565	5,581	–	**6,146**
Work In Progress Movement	184	270	–	(454)	–
NET BOOK VALUE AS AT 30 JUNE 2018	**3,504**	**9,747**	**1,037**	**261**	**14,549**

GROUP 2017	Land & Buildings $000s	Meteorological Equipment & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Work In Progress $000s	**Total $000s**
Cost	9,570	24,447	13,707	292	**48,016**
Accumulated Depreciation and Impairment	(5,756)	(14,033)	(12,205)	–	**(31,994)**
CARRYING AMOUNT	**3,814**	**10,414**	**1,502**	**292**	**16,022**
Opening Carrying Amount	4,233	11,332	1,958	154	**17,677**
Additions at Cost	4	228	383	325	**940**
MetOcean Property, Plant and Equipment on Consolidation	5	37	69	–	**111**
Disposals	(8)	(210)	(43)	–	**(261)**
Impairment Reversal	143	80	15	–	**238**
Asset Write Off	–	–	–	(57)	**(57)**
Depreciation	(572)	(1,271)	(922)	–	**(2,765)**
Accumulated Depreciation Recovered	6	91	42	–	**139**
Work In Progress Movement	3	127	–	(130)	–
NET BOOK VALUE AS AT 30 JUNE 2017	**3,814**	**10,414**	**1,502**	**292**	**16,022**

19. INTANGIBLE ASSETS

GROUP 2018	Goodwill	Software	Customer Base	Capital Work In Progress	**Total**
Cost	3,025	47,395	412	4,333	**55,165**
Accumulated Amortisation	–	(35,152)	(412)	–	**(35,564)**
CARRYING AMOUNT	**3,025**	**12,243**	–	**4,333**	**19,601**
Opening Carrying Amount	3,025	12,347	–	3,945	**19,317**
Additions at Cost	–	1,071	–	6,237	**7,308**
Disposals	–	(624)	–	–	**(624)**
Assets Impairment	–	(206)	–	–	**(206)**
Amortisation Expense	–	(6,835)	–	–	**(6,835)**
Accumulated Amortisation Recovered	–	712	–	–	**712**
Asset Transfers	–	(35)	–	(36)	**(71)**
Work in Progress Movement	–	5,813	–	(5,813)	–
NET BOOK VALUE AS AT 30 JUNE 2018	**3,025**	**12,243**	–	**4,333**	**19,601**

GROUP 2017	Goodwill	Software	Customer Base	Capital Work In Progress	**Total**
Cost	3,025	41,376	412	3,945	**48,758**
Accumulated Amortisation	–	(29,029)	(412)	–	**(29,441)**
CARRYING AMOUNT	**3,025**	**12,347**	–	**3,945**	**19,317**
Opening Carrying Amount	600	12,149	–	2,305	**15,054**
Additions at Cost	–	132	–	6,888	**7,020**
MetOcean Additions on Consolidation	2,425	1,722	–	–	**4,147**
Disposals	–	(1,924)	–	–	**(1,924)**
Assets Impairment	–	(171)	–	–	**(171)**
Amortisation Expense	–	(5,776)	–	–	**(5,776)**
Accumulated Amortisation Recovered	–	967	–	–	**967**
Work in Progress Movement	–	5,248	–	(5,248)	–
NET BOOK VALUE AS AT 30 JUNE 2017	**3,025**	**12,347**	–	**3,945**	**19,317**

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 (2017: $103) and Network Engineer's rate is $72 per hour (2017: $72). 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 year MetService purchased the right to resell and use output from a specific weather related network within specified regions for a period of 10 years.

Impairment test for goodwill

Goodwill of $600,000 is allocated to MetraWeather (UK) Ltd. The recoverable amount has been determined based on a value-in-use calculation. This year the model was updated to use forecast cash flows to 2021 incorporating an average revenue growth rate of 3.0% based on the business plan. In the current year there are no reasonably possible changes in any of the key assumptions that would result in an impairment write down in the goodwill recognised. The discount rate is based on the Company WACC. At 30 June 2018, a post tax discount rate of 7.5% (2017: 8.0%) was applied in the model. A terminal growth rate of 2.5% was applied to the model. This was based on an allowance for inflationary growth.

Goodwill of $2.425 million is allocated to the acquisition of MetOcean Solutions Limited. The recoverable amount has been determined based on a value-in-use calculation. This year the model was updated to use forecast cash flows to 2021 incorporating an average revenue growth rate of 12.0% based on the business case for purchase. In the current year there are no reasonably possible changes in any of the key assumptions that would result in an impairment write down in the goodwill recognised. The discount rate is based on the Company WACC. At 30 June 2018, a post tax discount rate of 7.5% (2017: 8.0%) was applied in the model. A terminal growth rate of 2.5% was applied to the model. This was based on an allowance for inflationary growth.

20. DIVIDENDS

As at balance date, there has been no provision made for a final dividend. The Group's dividend policy is to distribute in the range of 15% to 40% of net cash flows from operating activities, less maintenance capital expenditure.

	Group 2018 $000s	Group 2017 $000s
Final Dividends Paid	**1,060**	**1,300**

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

	Group 2018 $000s	Group 2017 $000s
Reconciliation of Net Surplus with Cash Flow from Operating Activities		
Net Surplus for the Year	3,351	2,440
Non Cash/Non Operating Items		
Depreciation and Amortisation	9,406	8,541
Share of Losses of Associates	-	40
(Decrease)/Increase in Deferred Tax	(470)	84
Loss on Foreign Exchange Contracts	17	23
Gain on Fair Value of Investment	-	(256)
Impairment losses on PPE and Intangibles	155	171
Loss on Sale of Fixed Assets	59	148
Increase in Restoration Provision	1	92
Other Non Cash Operating Items	(37)	–
INCREASE IN NON CASH ITEMS	**9,131**	**8,843**
Movements in Working Capital		
(Increase) in Receivables	(1,047)	(391)
(Decrease)/Increase in Accounts Payable and Accruals	159	532
Increase in Income Taxation Receivable	69	169
(Increase)/Decrease in Inventories	(93)	109
Total Movement in Working Capital	**(912)**	**419**
NET CASH GENERATED BY OPERATING ACTIVITIES	**11,570**	**11,702**

Movements in Working Capital have been adjusted for acquisition related balances.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2018

22. 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 2018 $000s	Group 2017 $000s
Non Cancellable Operating Lease Commitments		
Not later than One Year	783	786
Later than One Year and Not Later Than Five Years	1,519	1,525
Later Than Five Years	1,119	1,316
	3,421	**3,627**

23 . 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 2018 $000s	Group 2017 $000s
Cash and Cash Equivalents	**4,420**	**5,901**

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

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.

Funds Held at Balance Date*	8	40

*Included in Cash and Cash Equivalents above.
The cash held at balance date is offset by a liability within 'Other payables'.

24. 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 favourable 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 2017.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 13, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

Debt covenants are reviewed by management on a monthly basis.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

Total Leverage Ratio - requires debt to remain lower than 3 times EBITDA.

Interest Cover Ratio - requires EBITDA to be greater than or equal to 3 times the interest expense.

Change in Ownership - any sale of shares must be advised immediately to the bank.

Event of Review - we must advise the bank if the MoT contract is cancelled or renewed on less favourable terms including if revenue is reduced by 25%.

The Group has complied with all covenants throughout the reporting period. As at 30 June 2018, the interest cover was 22.0 (2017: 21.2) and the leverage ratio was 1.0 (2017: 1.2)

Financial instruments by category

Categories of Financial Instruments	Group 2018 $000s	Group 2017 $000s
Assets		
LOANS AND RECEIVABLES		
Cash and Cash Equivalents	4,420	5,901
Trade and Other Receivables	5,775	4,716
TOTAL FINANCIAL ASSETS	**10,195**	**10,617**
Liabilities		
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and Other Payables	4,539	4,469
Borrowings	15,000	15,500
FINANCIAL LIABILITIES AT FAIR VALUE		
Foreign Exchange Contracts	17	23
Termination Leave	81	104
TOTAL FINANCIAL LIABILITIES	**19,637**	**20,096**

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

Market risk

There has been no change in the types of risks the Group is exposed to.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and price risk), credit risk and liquidity risk.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise.

The Group manages this through forward exchange contracts taken out inline with the Board approved Treasury Policy.

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

	Liabilities 2018 $000	Liabilities 2017 $000s	Assets 2018 $000s	Assets 2017 $000s
Group				
US Dollars	61	42	1,106	354
British Pounds	112	16	407	603
Euro	136	6	222	344
Australian Dollars	527	140	883	1,328
Thai Baht	68	16	172	284
	904	**220**	**2,790**	**2,913**

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 $176,000 (2017: $245,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by $194,000 (2017: $270,000).

Forward Foreign Exchange Contracts

Forward Foreign Exchange Contracts are reported at fair value through profit and loss and are all held for trading.

	Group 2018 $000s	Group 2017 $000s
Fair Value Loss on contracts held	17	23

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 $152,500. (2017: $169,000). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by $152,500 (2017: $169,000).

Credit risk management

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

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

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

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

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 $4,000,000 (2017: $4,000,000) at the balance 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 2018 $000s			Group 2017 $000s	
	Borrowings $000s	Interest Payable $000s		Borrowings $000s	Interest Payable $000s
< 6 Mths	–	325	< 6 Mths	–	353
12 Mths	–	325	12 Mths	–	353
1–5 Yrs	15,000	1,948	1–5 Yrs	15,500	2,119
5+ Yrs	–	–	5+ Yrs	–	–
	15,000	**2,598**		**15,500**	**2,825**

It is likely that we will be rolling over this facility past five years.

Trade and other payables and employee benefits, excluding termination leave, are repayable within the next six months.

25. CAPITAL COMMITMENTS

	Group 2018 $000s	Group 2017 $000s
Commitments for the acquisition of property, plant and equipment	–	378

26. 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'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Opinion

We have audited the financial statements of the Group on pages 23 to 46 that comprise the Statement of Financial Position as at 30 June 2018, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2018; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 29 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State Owned Enterprises Act 1986.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 55, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion theron.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

In addition to the audit our firm carried out engagements for the Group in the areas of information technology consulting services and IFRS transition, which are compatible with those independence requirements. PricewaterhouseCoopers acquired Unite Software and Solutions Ltd (Unite) in the prior year. At the time of acquisition, Unite provided services to the Group. Post-acquisition, these services ceased and the contract was novated to an independent supplier. Appropriate safeguards were put in place to mitigate the threats to independence and all services provided by Unite were completed by 30 September 2017. Other than the audit and these engagements, we have no relationship with or interests in the Group

Chris Barber

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Statutory Information

Results of operations

	2018 $000s	2017 $000s
Net Profit	3,351	2,440
Final Dividend Paid	(1,060)	(1,300)
Retained Earnings at Beginning of the Year	16,122	15,136
Retained Earnings at End of Year	16,568	16,122

Changes in accounting policies

There has been no material changes in accounting policies during the year. The policies are set out on pages 27–32.

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	40
$120,000 – $129,000	17
$130,000 – $139,000	11
$140,000 – $149,000	6
$150,000 – $159,000	8
$160,000 – $169,000	1
$170,000 - $179,000	1
$190,000 – $199,000	1
$200,000 – $209,000	1
$220,000 – $229,000	1
$230,000 - $239,000	1
$250,000 – $259,000	2
$530,000 – $539,000	1

Donations

The Company made a donation of $13,555 to Surf Life Saving New Zealand.

Auditor

The Auditor for the Group is Chris Barber, assisted by PricewaterhouseCoopers, Wellington, on behalf of the Auditor General. The amount payable by the Group to PricewaterhouseCoopers during the year as audit fees is $151,000.

The amount in respect of the year for other services provided by PricewaterhouseCoopers is $38,555.

Directors' fees

The total fees payable to members of the MetService Board during FY2017/18 was $216,894. The total Board fees are within the amount authorised by the Shareholding Ministers.

Anthony Howard (Chair)	$46,896
Judy Kirk (Deputy Chair - Resigned 30 April)	$24,425
Sophie Haslem (Deputy Chair)	$24,425
Brent Armstrong	$23,448
Margaret Devlin	$23,448
Roanne Parker	$23,448
Stephen Eaton	$23,448
Tupara Morrison	$23,448
Prof Wendy Lawson (Appointed 1 May)	$3,908
Total Directors' Remuneration	**$216,894**

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 2018 are:

Director	Interest
A Howard (Chair)	Howard Co Ventures Onvine Limited Karma Cola Limited Be. Institute Wayfairer Limited All Good Bananas Limited Ecological Investments Limited Mimomax Wireless Limited Verde Advisory Board Spider Tracks Limited Titanium Solutions Limited
S Haslem (Deputy Chair and Chair, Audit and Risk Assurance Committee)	Rangatira Limited Magritek Limited Magritek Holdings Limited Rainbows End Theme Park Limited New Zealand Experience Limited Omphalos Limited The Akina Foundation CentrePort Limited CentrePort Properties Limited CentrePort Property Management Limited Harbour Quays Property Limited Kordia Group Limited
J Kirk (Deputy Chair - Resigned 30 April)	J M K Consultancy Limited Airways Corporation of NZ Limited Airways International Limited Tourism Infrastructure Fund
T Morrison	ID Group Holdings Ltd Geneva Healthcare NZMG Ltd Competenz New Zealand Maori Arts and Crafts Institute Pukeroa Oruawhata Trust Ngati Whakaue Tribal Lands Inc Te Puia Limited
B Armstrong	None

Director	Interest
S Eaton	AMS Consult Limited Hanlu Consulting Limited Number 63 Limited
M Devlin	Harrison Grierson Watercare Services Limited Waikato Institute of Technology Institute of Directors Waikato Regional Airport Limited Titanium Park Limited National Infrastructure Advisory Board Waikato University Waikato District Council Waikato Spatial Plan Joint Committee IT Partners Group Limited Women in Infrastructure Network Aurora Energy Limited Lyttelton Port
Prof Wendy Lawson (Appointed 1 May)	University of Canterbury Cooperative Research Centre for Spatial Information, Melbourne FrontierSI (from July 2018) Safer Christchurch Governance Group Diversity Working Group of Royal Society Te Aparangi
R Parker	Information Empowerment Technologies Limited Calibrate Marketing Limited Wonderstuff Limited Fishpond Limited Creative HQ Pulse Energy

Directors' statement

This Annual Report is for the period 1 July 2017 to 30 June 2018 and is signed on behalf of Meteorological Service of New Zealand Limited's Board of Directors.

A Howard
Director

S Haslem
Director

Key Performance Indicators
Financial

	Statement of Corporate Intent	Actual 2018	Actual 2017
1. Shareholder Returns			
Total Shareholder Return	1.8%	5.6%	4.3%
Dividend Yield	1.8%	1.7%	2.2%
Dividend Payout	11.2%	9.2%	10.6%
Return on Equity (ROE)	12.5%	15.6%	11.7%
Return on Funds Employed	12.0%	13.2%	11.9%
2. Profitability/Efficiency			
NPAT	2,866	3,351	2,440
EBIT	4,679	4,860	4,406
EBITDA	14,354	14,266	12,947
Asset Turnover	1.29	1.28	1.24
Operating Margin (EBITDAF)	23.9%	23.9%	23.4%
Operating Margin (EBIT)	7.8%	8.1%	8.0%
3. Leverage/Solvency			
Gearing Ratio (net)	38.4%	33.5%	30.5%
Interest Cover	20.6	22.0	21.2
Solvency	1.16	1.41	1.54
Debt Coverage Ratio	3.53	3.09	3.52
4. Growth/Investment			
Revenue Growth	6.6%	7.8%	8.5%
EBITDA Growth	10.3%	10.4%	10.0%
NPAT Growth	35.3%	37.3%	26.1%
Capital Renewal	0.88	0.90	1.09

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)	Measures company profitability and the efficiency with which its capital is employed.	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, with profitability measured as earnings before interest, taxation, depreciation, amortisation and fair value adjustments.	EBITDAF/Revenue.
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue, with profitability measured as earnings before interest, taxation.	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.	EBITDA/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 Total Revenue and Other Income.
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	Actual 2018	Actual 2017
Warnings Performance			
POD Heavy Rain (12 mo mean)	>90%	93%	94%
POD Severe Gales (24 mo mean)	> 85%	92%	92%
POD Heavy Snow (24 mo mean)	> 85%	89%	91%
FAR Heavy Rain (12 mo mean)	< 25%	12%	9%
FAR Severe Gales (24 mo mean)	< 30%	18%	16%
FAR Heavy Snow (24 mo mean)	< 30%	4%	25%
Observing			
Radar % Uptime (12 mo mean)	>97%	99%	99%
AWS % Uptime (12 mo mean)	>98%	99%	99%
Corporate and Social Responsibility			
Critical Programme Audit Findings	0	0	0
Lost time Incidents	0	1	1
Social Investment ($000)	220	245	244
Community Engagement (hours)	185	230	222
WMO Staff Participation (number of staff)	10	14	11

NOTES ON THE NON FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description/Calculation
Probability of Detection (POD)	The ratio of correctly forecast events to actual events observed.
False Alarm Rate (FAR)	The ratio of severe forecast events that didn't occur (false alarms) to the number of events forecast.
	The POD and FAR for heavy rain events is reported as a 12-month running mean. For heavy snow and high wind events the POD and FAR are reported as a 24-month running mean, reflecting the relative infrequency of these events.
Radar % Uptime	The percentage of time that radar data is available within MetService's Wellington office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available within MetService's Wellington office, averaged over all AWS sites.
Critical Programme Audits	Critical programmes that are externally audited, including Civil Aviation Part 174, ISO 9001 Quality Management Systems and Accident Compensation Corporation's Work Place Safety Management.
Lost Time Incidents	A lost-time incident is work place-related injury that results in time lost from work.
Social Investment	The amount of investment over the financial year given to community organisations or charities.
Community Engagement	The number of hours over the financial year that staff engaged directly with schools and community organisations.
WMO Staff Participation	Staff participation with the United Nations World Meteorological Organization in either a working group or a formal meeting over the financial year.

Company Directory

DIRECTORS

Anthony Howard (Chair)
Judy Kirk (Deputy Chair) (to 30 April 2018)
Sophie Haslem (Deputy Chair/Audit and Risk Assurance Chair)
Brent Armstrong
Margaret Devlin
Stephen Eaton
Roanne Parker
Tupara Morrison
Prof Wendy Lawson (from 1 May 2018)

EXECUTIVE

Chief Executive
Peter Lennox
GM Science Strategy
Norm Henry
Chief Financial Officer
Keith Hilligan
GM Meteorological Operations
Ramon Oosterkamp
GM Sales
James Caust
GM Strategy & Governance
Tina Dustdar
GM Brand & People Experience
Angus Swainson
Chief Information Officer
Mark Huttley

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This report is also available online at
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