MetService

Annual Report 2019

MetService TE RATONGA TIRORANGI

MetraWeather

MetOcean SOLUTIONS

He tāngata | Our people… making a difference

The expertise of our 279 employees in New Zealand, Australia, Asia and Europe is at the core of everything we do. It is their knowledge and the application of this expertise that enables us to keep New Zealanders safe, and prosperous.

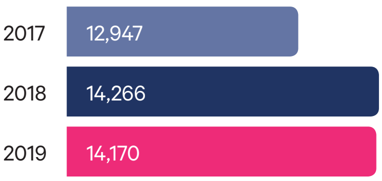
As seen in the cover imagery, we wholeheartedly embraced Pink Shirt Day as a way of showing our commitment to creating a positive workplace environment that is safe, welcoming and inclusive of everyone.

Contents

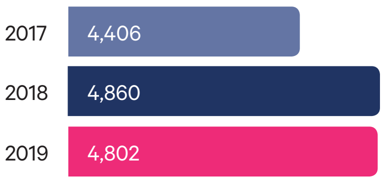
Year in review

Finance information

EBITDA ($000)



Operating profit ($000)



13.3%
Return on funds employed

11.8%
Return on equity

8.1%
Total shareholder return

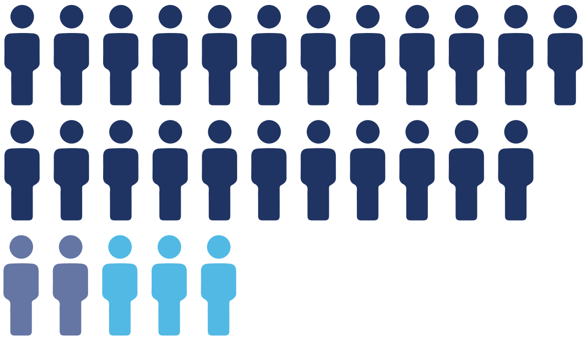
2.4%
Growth in total revenue

7.9%
Operating margin

He tāngata | Our people

279
Employees

MetService
MetraWeather
MetOcean



The current number of employees as at 30 June 2019 is 279 across the organisation and its various brands: 235 people at MetService, 17 at MetraWeather (international brand), 27 at MetOcean (our oceanography division).

33+
Countries

People from more than 30 nations work for MetService in our offices throughout New Zealand and in Australia, Asia and Europe.

90+
WMO meteorologists

We have more than 90 qualified meteorologists.

144.2
Community outreach hours

Our staff donate their expertise to worthy causes.

Forecast accuracy

93%

Severe gales

Probability Of Detection (POD) of gales.
Target >85%

95%

Heavy snow

Probability Of Detection (POD) of heavy snow.
Target >85%

93%

Heavy rain

Probability Of Detection (POD) of heavy rain.
Target >90%

Online influence

+6.8%

Twitter followers

Growth in Twitter followers from July 2018 to June 2019.

+22.4%

Instagram followers

Growth in Instagram followers from July 2018 to June 2019.

+6.8%

Facebook fans

Growth in Facebook fans from July 2018 to June 2019.

$239,000

Social investment numbers

Our social investment number is the value of free advertising we have given to charity/non-profit organisations over the last year.

7,940

Media articles

MetService appeared in 7,940 media articles in the 2019 financial year, with spokespeople quoted in 3,898 of them!

857,247

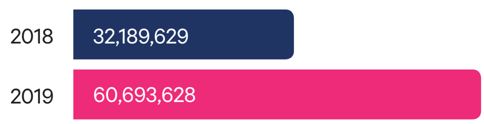
Town and City App installation

The total number of times the MetService Town and City App has been installed.
A 47.8% increase in the last 12 months.

+88.6%

Town and City App page views

The increase in pages viewed on the MetService Town and City App in the 2019 financial year, when compared to 2018.
Over 60 million pages were viewed this year.

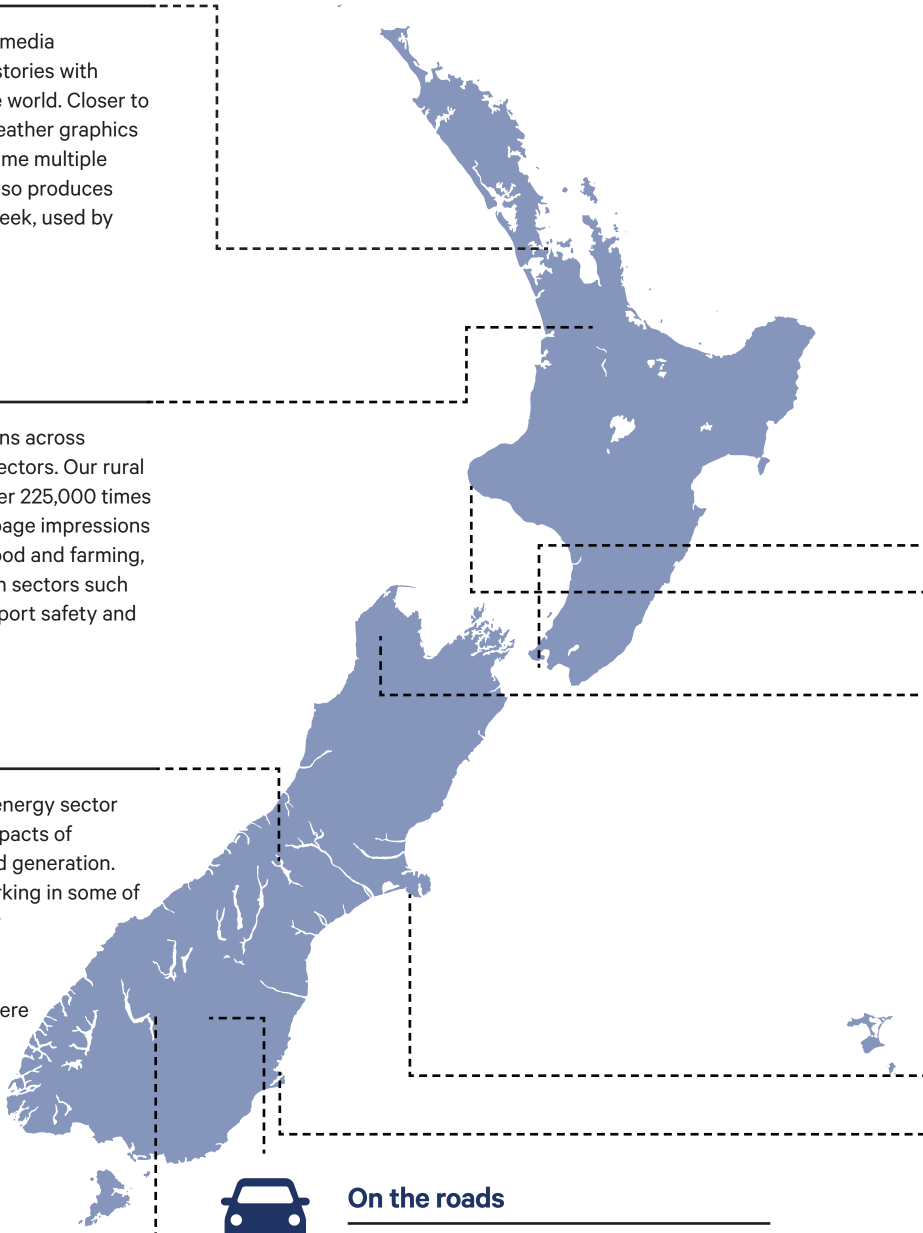


Connecting with New Zealand

From skies to surf, mountains to media, the work of MetService, New Zealand's oldest continuous scientific institution, affects New Zealanders on a daily basis. Through unrivalled local experience and world-leading capability, MetService is proud to fulfil our crucial dual role: protecting the safety and wellbeing of communities while creating wealth for New Zealanders.

Broadcast

Our weather graphics enable media companies to share weather stories with millions of viewers around the world. Closer to home MetService provides weather graphics to TVNZ, MediaWorks and Prime multiple times each day. MetService also produces over 50 weather videos per week, used by digital news providers.



Primary industries

Our expertise informs decisions across agriculture and horticulture sectors. Our rural app has been downloaded over 225,000 times and has more than 500,000 page impressions every month. Not limited to food and farming, MetService works closely with sectors such as mining and forestry to support safety and productivity.

Energy

Our consultants provide the energy sector with advice to manage the impacts of weather on energy supply and generation. We've got meteorologists working in some of New Zealand's largest energy companies, and our forecasts help the sector best manage energy demand when and where it is needed.

Tourism

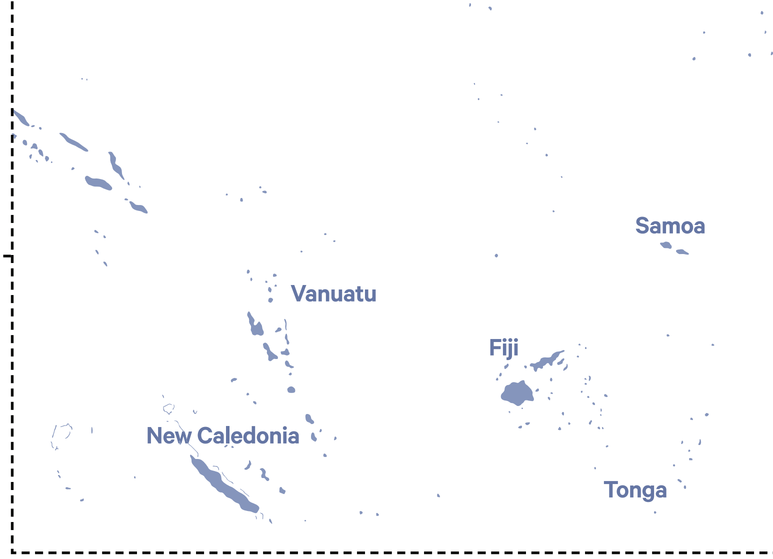
Our forecasts drive decision makers across New Zealand's $41 billion tourism industry. Working closely with Department of Conservation and the Mountain Safety Council, MetService ensures forecasts are available to those heading into the great outdoors - with 12 National Park and 23 ski-field forecasts available at any one time.

On the roads

Our technology and data on road weather conditions keep safe routes open. MetService operates Road Snowfall Warnings on 12 highways across New Zealand, ensuring partners such as NZTA are aware of the impacts of the weather. MetService continually exceeds probability forecasting performances set by the Ministry of Transport around predicting heavy snow, severe gales and heavy rain.

Across the Pacific

Our focus doesn't stop in New Zealand. This year has seen infrastructure developments across the Pacific, with lightning detection work in the South Pacific supporting Pacific communities and the aviation sector alike. Multiple new automatic weather stations were installed this year across the South Pacific, and the introduction of Pacific television forecasts from MetService has been well received by Pacific broadcasters.



Emergency management

MetService works with the Ministry of Civil Defence and Emergency Management, and Civil Defence and Emergency Management providers throughout the country. This year we've changed the way we communicate severe weather information, introducing an extra tier to our warnings to ensure that critical safety information is shared when it is needed.

Around the world

With 10% of revenue coming from outside New Zealand, MetService has offices in Australia, Asia and Europe. Our focus globally includes our broadcast offering, Weatherscape, which has over 25 international broadcasters using the service, including Channel Seven and NINE in Australia. The marine and energy sectors are also of strategic focus internationally, with international expansion opportunities under investigation.

The environment

As New Zealand's official provider of Severe Weather information, we have a key part to play in climate adaptation. This is reinforced through being awarded $11.5 million in 2018 to research the impact of temperature changes on our oceans, to support an enduring seafood sector. As New Zealand's voice with the World Meteorological Organization, MetService people work globally around initiatives such as volcanic ash detection and tropical cyclone preparedness.

Marine

Our marine forecasts secure the safety of those at sea. Our work with New Zealand ports, offshore oil exploration and large-scale vessels helps in both safety and efficiency. Our platforms such as our app and website help recreational boaties, surfers and other water users keep aware of the conditions, from tidal information, surf swells and marine warnings.

Aviation

Our aviation forecasts ensure all aircraft can safely navigate the skies. This year we've worked closely with airports throughout New Zealand to develop and roll-out new software that predicts the impact of the weather on runways. With more very long-haul flight routes globally in operation, we've provided more certainty to the sector by extending our Terminal Aviation Forecasts (TAFs) from 24 to 30 hours for four New Zealand airports.

New Zealanders

The public safety of New Zealanders is a key strategic goal of MetService. Our website, metservice.com, is one of the most popular New Zealand websites, with over 200 million visits each year. The site is in the process of being refreshed. The year ahead sees the building of New Zealand's tenth radar, scheduled to be in place just outside Dunedin by June 2020.

Chair's report

I'm delighted to deliver this year's annual report for MetService, and to take the opportunity to share the story of MetService as New Zealand's national weather service.

As an island nation in the South Pacific, New Zealand is understandably obsessed with the weather and the impact it has on our livelihood. With a 24-7 focus on the skies and the oceans, we strive to fulfil our dual purpose and the ambition that has been set for us by the government – to protect the safety and wellbeing of our citizens and communities while creating and protecting wealth for New Zealanders.

At MetService, we believe everyone in Aotearoa has the right to be safe and prosperous - which is why our people use their scientific expertise to help others prepare to make the best decisions they can, whatever the situation.

Whether it is through our website or app, the forecasts we deliver to government and businesses, or on television, radio, newspapers or social media, New Zealanders use us - their national weather service - every single day.

MetService has built a trusted international reputation based on world-class quality standards, use of cutting-edge technology, and the delivery of valued insights based on expertise and experience. This, coupled with our commercial success, helps fund and develop the weather forecasting and warnings system that protects all New Zealanders.

Our aspirations

As a State-Owned Enterprise for over a quarter of a century, MetService has a proud history commercialising applied science, and our commercial focus is unique among international meteorological organisations.

The challenges we are likely to face in the years ahead are well known. The impact of the warming atmosphere and ocean mean weather events are expected to be increasingly severe, and therefore MetService must continue to advance its world-class meteorological and oceanographic services. We must continue to invest in infrastructure, innovation and our people, to ensure customers continue to choose MetService.

As we move into the future, we are committed to transitioning towards an integrated reporting model that allows MetService to think holistically about our strategy and plans, and how we manage key risks to make informed decisions that build stakeholder confidence.

It is up to us to ensure we are delivering benefits to communities in Aotearoa through creative problem-solving, strategic partnerships that drive collaboration and information-sharing, and generating data-driven results. It's an ambition MetService will be continually working towards in the years ahead.

Our highlights

As Chair of MetService, I would like to outline a few of the milestones we've achieved this year.

MetService awarded long-term research project

In September 2018 the Moana Project, a new research project led by our oceanography division, was awarded $11.5 million over five years from the Government's Endeavour Fund. The project seeks to improve understanding of ocean circulation and marine heatwaves to support New Zealand's seafood sector, an industry with strong Māori ownership worth more than $4 billion annually.

Watches and Warnings changes made

From May 2019 MetService introduced a new level of warning reserved for the most extreme weather events, with new colours and graphics to more clearly signify the type of alert in place. By adopting colour codes for warning criteria, MetService has aligned with international standards and made it easier for people to identify extreme events.

New version of metservice.com

One of the biggest engagement projects in recent years is the refresh of metservice.com. The site was last updated six years ago, received over 200 million unique user sessions in this financial year, and is one of New Zealand's busiest websites. The project is two years in the making, with a staged rollout expected from August 2019.

These highlights, among others, are covered in more detail throughout this report.

Investment in our people

As an additional acknowledgment of the importance of our people in our business, the Board decided to broaden the scope of its Remuneration Committee to include the consideration of staff wellbeing, the policies and practices guiding our staff, and the culture of the organisation, creating the People, Culture and Remuneration Committee.

Financial performance

Our financial performance for the financial year was strong and in alignment with targets set down in the Statement of Corporate Intent. Revenue of $61.1 million was 2.4% up on the prior year ($59.7 million), driven mainly by an increase in advertising revenue from our digital platforms. The increase in revenue allowed the company to deliver an operating profit of $4.8 million for the financial year, similar to the prior year result. The increase in operating costs mainly related to the continuation of the company's resilience initiatives, particularly introducing more cloud-based data storage solutions.

Net cash flow from operating activities has remained strong at $11.8 million for the financial year, slightly up on the prior year ($11.6 million). This has allowed further repayment of borrowings of $1 million and further strengthening of the balance sheet. The net gearing ratio at financial year end was 23.6%, significantly better than the Statement of Corporate Intent target of 30.6% and below the Board's targeted range of 30% to 35%.

Total Shareholder Return for the financial year is at 8.1% (prior year 5.6%), reflecting the company's increase in valuation year-on-year and the final dividend payment of $1.2 million relating to the prior financial year.

Thanks and acknowledgments

As Chair I would like to acknowledge the time and commitment given by my fellow directors over the past financial year. Our organisation is fortunate to have such a talented, experienced and diverse group who are very committed to MetService and the contribution it makes to the safety and wellbeing of all New Zealanders.

And on behalf of the MetService Board I thank our Chief Executive Peter Lennox, the entire senior leadership team, and all the employees of MetService for their achievements this year.

As custodians of an internationally highly respected organisation, my fellow directors and I share a strong sense of responsibility and pride in the direction that MetService is heading. We look forward to a prosperous year ahead.

Anthony Howard
Chair

Chief Executive Officer's report

Understanding the Earth's atmosphere and oceans is at the heart of what our meteorologists and oceanographers do. Reading these elements of nature takes mastery.

Using this unique expertise to forecast or predict the impacts of these forces, is in the DNA of MetService. It's this scientific knowledge and our ability to translate it into meaningful weather and environmental insights that keeps New Zealanders safe and prosperous. That is the value we provide.

Our value

That value has been quantified, in a 2018 report by the New Zealand Institute of Economic Research, to be well in excess of $240 million per year. That's a very healthy return for the Government, which invested $23.9 million in us last year – funding we receive through our contract with the Ministry of Transport. See page 20 for more detail. The value as outlined does not include our contribution to marine safety, meaning the total return will be higher again.

As a State-Owned Enterprise, we are very proud of our track record of protecting the safety and wellbeing of New Zealanders, while also creating wealth for the country.

MetService has a trusted reputation for scientific expertise and insight. We are always looking to extend the application of our scientific know-how and have developed strong partnerships nationally and internationally. See the highlight examples in the following pages.

Our commercial success fulfils a virtuous circle, enabling us to invest in our forecasting and technology systems, which enhances the work we do in the public sector.

Global connection

New Zealand is a Member of the World Meteorological Organization (WMO), a United Nations Specialized Agency. Among other things, this requires that MetService, as New Zealand's National Meteorological Service, operates to the high standards defined in the WMO Technical Regulations and contributes to the meteorological effort in the Southwest Pacific. We are proud to announce that MetService's Chris Noble was recently appointed Chair of the WMO Tropical Cyclone Committee for the South Pacific and the South-East Indian Ocean. See page 21.

Future-focused

Looking to the future is inherent in what we do. As we face the impacts of climate change, MetService's scientific and forecasting expertise can be further applied to help New Zealand prepare.

One of the effects of a warming atmosphere and oceans is changes in the frequency and intensity of weather events. Over the last couple of years, we have modernised our Severe Weather Watches and Warnings so that we can better communicate information about upcoming severe weather events.

This year, we seek to engage more government agencies to explain how we can assist them in managing their weather-related risks.

Other consequences of the warming atmosphere and oceans pose unique challenges for meteorological and oceanographic agencies. To meet some of these we need to do more applied science. For example, MetService's oceanographic division, has embarked upon the Moana Project, a five-year multi-agency programme aimed at understanding ocean circulation, connectivity and marine heatwaves. The outputs of the Moana Project will enable New Zealand to better protect and manage the marine environment and its resource. See page 18.

As an organisation we continue to progress our bi-cultural journey through relationship building with iwi. One of the non-financial KPIs in our Statement of Corporate Intent is the number of partnership agreements that contribute towards Māori success. The Moana Project, through a partnership with Eastern Bay of Plenty iwi Whakatōhea, will provide a case study of how oceanographic knowledge that combines mātauranga Māori and science can help us better understand our changing oceans and the impacts of this on kaimoana.

Large increases in computing power and the amount of remotely sensed environmental data, together with major advances in weather modelling and communications technologies over the last few decades, mean there is ever more accurate and precise weather information available. This is changing the role of the meteorologist, with emphasis shifting towards the provision of advice on weather impacts.

The use of 5G technology offers fantastic opportunities for our business. However, depending on what frequency band it operates in, it may be of concern to the international meteorological community and to MetService. Studies show that spurious emissions in the water vapour band 23.6 to 24.0 GHz have a detrimental effect on the accuracy of weather and climate model forecasts. MetService's position on this issue reflects the position of the World Meteorological Organization; we attend the Ministry of Business Innovation and Employment's Radio Sector Group meetings and have clearly communicated our concerns.

Our people

The wellbeing of our people is vital to the success of the organisation and the safety-critical services we provide. The expertise of our 279 employees in New Zealand, Australia, Asia and Europe is at the core of everything we do. We are committed to supporting our staff to be the best that they can be.

Health and safety continues to be a priority, and this year saw the recruitment of a dedicated health and safety manager. We ended the financial year with no notifiable health and safety events and no critical audit findings. We also implemented a new contractor management framework to better assure the safety of contractors we employ.

With more than 30 nationalities represented on staff, diversity and inclusion is important to us. Our dedicated Diversity and Inclusion Group foster an environment where everyone at MetService feels heard, respected and free to be themselves.

We support and celebrate the role of women in science. It was great to see Elke Louw, our Manager Marine Weather Services, profiled at WMO's World Congress in Geneva this June, and Professor Moninya Roughan appointed as MetService's Head of Research Partnerships. See pages 21 and 22.

As a State-Owned Enterprise, we are very proud of our track record of protecting the safety and wellbeing of New Zealanders, while also creating wealth for the country.

It's hugely encouraging to see the gender balance of the students involved in the Masters of Meteorology programme. This unique programme for future meteorologists, run in a partnership between MetService and Victoria University of Wellington, is the only one of its kind in the country.

We recognise the need to support and grow our current and future leaders. This year we ran a leadership development programme, through providers Winsborough and Humankind, with our Senior Leadership Team and people managers across the business.

The Senior Leadership Team will take the company on a similar journey, as we roll out a new culture change programme to foster better communication and collaboration between diverse teams around the world.

Thanks

It has been another strong year with our Statement of Corporate Intent profit target being met, ensuring MetService continues to uphold our position as a top-performing State-Owned Enterprise.

I want to thank MetService Chair Ant Howard and our Board for their governance, and former Senior Leadership Team member Angus Swainson for his contribution during his time at MetService. My final thanks go to our staff for the exceptional work they do to ensure MetService keeps New Zealanders safe and prosperous.

Peter Lennox
Chief Executive

Our network

The MetService headquarters is in Wellington, with offices in six locations throughout New Zealand.

The Kāpiti-based engineering team service New Zealand's 211 Automatic Weather Stations, nine rain radar, four upper air stations, and weather facilities owned by third parties. This team manage equipment on behalf of South Pacific locations including Tuvalu, Kiribati and Rarotonga.

MetService has invested heavily in the resilience of its network, especially in Auckland where forecasting capability and data storage and management have been greatly enhanced. There are currently 12 Auckland-based staff and numbers will increase in the coming year.

The MetOcean team of 27 people are based in Raglan and New Plymouth, and the MetService media graphics team of five are based in Christchurch.

Outside New Zealand, MetService has an office in Australia, and staff based in South-east Asia and the United Kingdom.

8

Office locations

Auckland
Raglan
New Plymouth
Paraparaumu
Wellington (Headquarters)
Christchurch
Sydney, Australia
Bangkok, Thailand

9

Weather Radar

211

Automatic Weather Stations

4

Upper Air Observatories

Raoul Island
Auckland
Paraparaumu
Invercargill

Stories from the year

Changes made to official Severe Weather Warnings

Watch
Stay alert

Orange Warning
Take action

Red Warning
Act now!

In May 2019 MetService introduced a new level of warning reserved for the most extreme weather events. This initiative was seven years in the making and was supported by colour-coding all land-based warnings and introducing new graphics to signify the type of alert in place.

Most warnings MetService issues are Orange Warnings, issued when heavy rain, strong wind or heavy snow is forecast to meet warning criteria. The change saw the introduction of a Red Warning, reserved for only the most extreme weather events. A red warning signifies that people need to act now as immediate action is required to protect from the impact of the weather.

The change project was supported by campaign activity focusing on stakeholder engagement, media pitching, and digital and social media marketing.

The use of colour-coded warnings linked to impacts is recommended by the World Meteorological Organization, of which MetService is a member.

MetService is New Zealand's only authorised provider of Severe Weather Watches and Warnings. During the 2019 financial year, MetService recorded 52 severe weather events in New Zealand that reached warning criteria requiring Severe Weather Warnings to be issued. No changes were made to marine-based warnings.

A first in the Southern Hemisphere

MetService has implemented new sensors into the runway at Wellington International Airport to enhance airport safety. This sees the sensors relay data regarding the conditions and temperature of the runway to the weather stations every minute.

From there, the data is fed through to MetService and onto the airport's MetConnect display. It is then used to forecast the future state of the runway, three days in advance.

Data is also sent to Airways Corporation of New Zealand Limited, New Zealand's air navigation service provider, where it will be made available to all incoming aircraft.

Enhancing the accuracy of information for safety aspects and operational airport activities makes business sense, while the sharing of data enables MetService to continually enhance its forecasting abilities, which also benefits the airport.

MetService is in discussions with other New Zealand airports interested in following suit. There has also been some international interest expressed. At Wellington International Airport, the key issue is water (contaminant) on the runway. For sensors used at airports further south, key factors would be surface temperature, snow, and the potential for ice.

MetService invests in the South Pacific

This year MetService, in conjunction with Lightning Partner, TOA Systems, has invested heavily in the South Pacific Lightning Network by installing sensors and detection systems at multiple sites. New lightning detection sensors are now operable in Wallis & Futuna, just under 500 kilometres northeast of Fiji; Tokelau, 500 kilometres north of Samoa; and several locations in French Polynesia.

This year also saw sensors installed in the Solomon Islands and Vanuatu. Critically, training for local engineers has been provided to allow further installations to be carried out at remote locations. Since 2018, 20 lightning detection sensors have been installed across 12 South Pacific countries. The result sees a more robust set of lightning strike data recorded and delivered to Pacific Island communities and their national weather services.

Lightning is one of the most dangerous and frequently encountered weather hazards. The provision of real-time lightning data greatly enhances the safety and resilience of communities throughout the South Pacific.

Otago radar site confirmed, operable by mid-2020

MetService signed an agreement that secures a site for a weather radar in the Otago region. The agreement allows construction of the radar to commence in early 2020, with the radar expected to be operational by the end of the financial year.

The location, 25 kilometres northwest of Dunedin, provides excellent coverage of Dunedin City, the Taieri and Clutha River catchments, and coastal Otago.

The Otago radar will utilise the latest dual-polarisation technologies to distinguish between different types of precipitation such as rain, hail and snow. This data will help forecasters, hydrologists and emergency managers better understand weather impacts on river catchments, infrastructure and their communities.

The radar will provide coverage into Central Otago, although the mountainous terrain means that precipitation falling from lower levels may not be detected in some locations.

The radar allows MetService to provide a severe thunderstorm warning service within the radar coverage area as part of its Severe Weather Warnings and Watches programme.

The $2.8 million radar will be the tenth in MetService's national network.

All New Zealand radar imagery is updated every seven and a half minutes and appears on metservice.com and MetService apps.

MetService website is getting a makeover

This year saw major progress in the refresh of metservice.com, one of New Zealand's most popular websites. The site provides national weather and marine forecasts for all of Aotearoa. As New Zealand's only official provider of Severe Weather Warnings, metservice.com is a key channel to alert the public to safety-critical information. The website was last refreshed in late 2012, and the new website launches in August 2019 after almost two years of work.

What's changing?

It's easier to use

- Visitors can customise their navigation by favouriting information they use regularly. Their favourite forecasts and information are then visible from any page they visit, whenever they visit the site.
- Improved search tools, providing the fastest way to find the location or weather forecast people are seeking.
- Location information is now grouped together, so nearby land and marine-based forecasts are accessible for over 100 town and city location pages.
- There's a second navigation bar across most of the site, allowing more information to be displayed on one page.

It's fully responsive

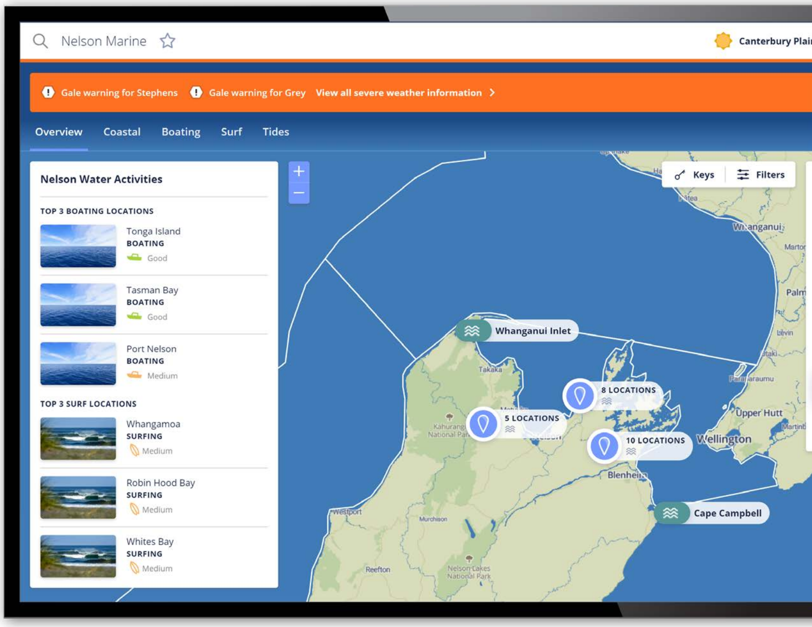
- Users of the refreshed metservice.com now have access to the same information no matter which device they use, whether it be a laptop, PC, phone or tablet. The new website is fully responsive, meaning the layout of information changes to fit any device used.

There are more forecasts

- The new site provides forecasts for 106 towns and cities across Aotearoa, with the welcome addition of Wairoa, Picton and Waikanae forecasts.
- The design makes it easier for information from third parties like Councils to be ingested and shared through metservice.com in the future.

Other site improvements

- The Marine section has been overhauled, with an interactive map providing an overview of all available marine data such as coastal, recreational, boating, surf and tide information. Filters can be turned on and off to show relevant information to users.
- The Rural sections cover a larger geographic area, so more forecasts and observations are available on one page, including rain radar.
- Mountains & Parks are on an interactive map, so forecasts and observations for different sites within the area can be viewed on one page. The Ski section layout has been refreshed too.
- Relevant mountain and marine information will be accessible for over 100 town and city pages on the site.



Clearer Severe Weather information

- It is clearer to see areas in New Zealand affected by Severe Weather, the type of alerts in place and the potential impact. This has been achieved through a new interactive map and the introduction of the two-tier land-based warning system.
- Every page on the new site has a navigation bar dedicated to Severe Weather information.

How did we get here?

- In 2017, over 1000 people were surveyed, along with smaller focus groups, to better understand how people use and interpret information on metservice.com. This feedback shaped the direction and development of the new site.
- In early 2019, stakeholder groups from across New Zealand were invited to test and feedback on the new site design to help further shape the website before launch.

More forecasting for the South Pacific

Through working with Pasifika TV, MetService now provides free weather content to the Pacific Islands. This supports the existing work in the Pacific as part of the World Meteorological Organization (WMO), such as the Severe Weather Forecasting and Disaster Risk Reduction Demonstration Project.

Pacific Cooperation Broadcasting Limited (PCBL), a New Zealand Government initiative funded by the Ministry of Foreign Affairs and Trade and Pacific Cooperation Foundation, was established in 2015, with the overall aim to build stronger relationships in the Pacific region by supporting the media sector.

MetService provides a short South Pacific forecast every weekday via TVNZ, and clips are then delivered to 23 television stations across the area.

Understanding the Southern Ocean's wave climate

The Southern Ocean Programme is a collaborative project between MetService's marine division and the New Zealand Defence Force's Defence Technology Agency (DTA) to better understand the Southern Ocean wave climate, improving wave forecast accuracy and safety both in the Southern Ocean and along New Zealand's exposed coast. Further understanding the wave climate in the region provides relevant information necessary to develop improved and safer vessel design criteria for ships operating in the exposed Southern Ocean.

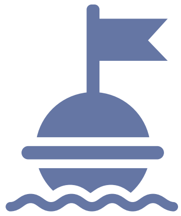
The Southern Ocean fully encircles Antarctica and, while representing almost a quarter of the world's oceans by area, is the least studied of all oceans. It is the world's most energetic ocean, with the uninterrupted fetch and energetic wind conditions making the Southern Ocean the engine room for generating swell waves that propagate thousands of kilometres around the globe. The Southern Ocean plays a vital role in the Earth's climate system, cycling heat, carbon and nutrients from the polar extremes to the subtropics.

Over the last two years, the programme has deployed ocean wave buoys, whose cutting-edge technology records wave data which is used to improve wave forecast and hindcast modelling.

MetService currently has six wave buoys in the Southern Ocean collecting data, one is moored and five are drifting. In May last year, the buoy moored off Campbell Island recorded the largest wave on record in the Southern Hemisphere – a mammoth 23.8m wave (maximum wave height), the equivalent height of a seven-storey building.

Recent research suggests that, with global warming, the Southern Ocean can be expected to become more energetic, leading to potentially larger and more frequent large wave events both in the Southern Ocean and along exposed coastlines.

Being able to accurately forecast the wave climate in exposed coastal areas, such as the west coast of New Zealand, is vital in order to provide increased public and private safety both at the coast and offshore in the marine environment.



Forecasting weather ripe for air pollution

Image courtesy of Auckland Council

MetService is working with Auckland Council to create a forecasting tool to ascertain when weather conditions in Auckland are likely to trap air pollutants resulting in brown haze/smog. The ability to predict high air pollution days has many social and economic benefits.

Brown haze is a visual indicator of poor urban air quality. In Auckland, brown haze typically occurs, on average four or five days per year, on cold winter days during the weekday morning commute.

Auckland's brown haze has been correlated with increased levels of specific surface atmospheric pollutants (NO, NO2, CO and PM10), which, in turn, have been statistically linked to increased respiratory hospital admissions in the region (Scarfe, 2014 and Dirks et al, 2017).

There is a clear need for a robust forecasting tool which can assist in the management of the social and economic consequences of extended or severe haze events.

A reliable forecasting scheme could alert key stakeholders and the general public of likely poor air quality events. This would enable stakeholders, for example, hospitals, to respond appropriately to changes in expected respiratory hospital admissions and raise public awareness prompting changes in behaviour (such as choosing not to walk to work during high air pollution events). The ability to predict high air pollution days could also be utilised as a promotional tool to promote public transport on such days, as is the case in some European cities.

MetService tuned its forecast tool on significant historical brown haze events, and has been running a pilot prediction scheme during the last three winters in conjunction with Auckland Council and University of Auckland. Initial validation of the forecast scheme has proven it can accurately predict extended and significant brown haze events in the region – the events most likely to affect people.

Moana Project – research into our changing oceans

A new research project spearheaded by MetService's oceanography division, MetOcean Solutions, will shed new light on our changing oceans.

In September 2018, the Moana Project was awarded $11.5 million over five years from the Ministry of Business, Innovation and Employment's Endeavour Fund.

The bold project will revolutionise our ability to comprehensively measure, monitor and predict the state of New Zealand's oceans.

Parts of the Tasman Sea are warming at one of the fastest rates on Earth, four times the global average, while marine heatwaves are becoming more frequent and intense.

As a marine nation, New Zealand derives wellbeing and wealth from the ocean, yet our oceans are very poorly understood. Our seafood sector alone is worth $4.18b annually to New Zealand's economy and its resources are directly threatened by rising ocean temperatures and marine heatwaves.

To safeguard these benefits for future generations we need to understand how our marine environment works, so we can better manage our resources in a time of rapid ocean warming.

The Moana Project will greatly advance understanding of marine heatwaves, ocean circulation, connectivity, and for New Zealand, reducing uncertainty, maximising opportunity and preparing us for future ocean changes.

This step change in ocean knowledge will also support the sustainability of New Zealand's seafood sector.

By the end of the research project in September 2023 the Moana Project aims to have developed and delivered New Zealand's first nationwide open-access ocean modelling system that explains ocean dynamics and marine heatwaves.

The ocean modelling system will provide tools to enable sustainable marine management and kaitiakitanga, while enhancing operational efficiencies and safety at sea.

This project combines mātauranga Māori with science. Iwi partners Whakatōhea will bring their traditional and contemporary oceanographic knowledge and aquaculture experience to the project.

The Moana Project is a cross-institutional programme involving all the oceanographic research organisations in New Zealand, collaborating with international and local experts and supported by a wide range of ocean-information end-users in industry and local and central government.

The official launch of the Moana Project and initial hui for all partners was hosted by MetService and the Whakatōhea Māori Trust Board on 30 July to 1 August in 2019, at the Omarumutu Marae in Ōpōtiki.

MetService Weatherscape graphics grow global market share

In December 2018 MetService signed an agreement with our Australian counterpart, the Australian Bureau of Meteorology, for the provision of weather graphics for their channels.

The contract is significant, as MetService and its Weatherscape software system now provide weather graphics to every major broadcaster in Australia. Weatherscape is used by all eight major broadcasters in Australia, and 29 broadcasters globally.

The Weatherscape team has been active in the South-east Asian market in the first half of 2019, attending two of the largest exhibitions for the broadcast sector, Broadcast Asia in Singapore in June and the Asia Digital Broadcast Symposium in Malaysia in March.

This year Weatherscape developed a cloud delivery system that allows for one-off usage of Weatherscape content. This is the first stage in expanding usefulness beyond the broadcast market and into other sectors such as online. South-east Asia is a market with a lot of smaller broadcasters that can be serviced by the new stable of products provided by Weatherscape.

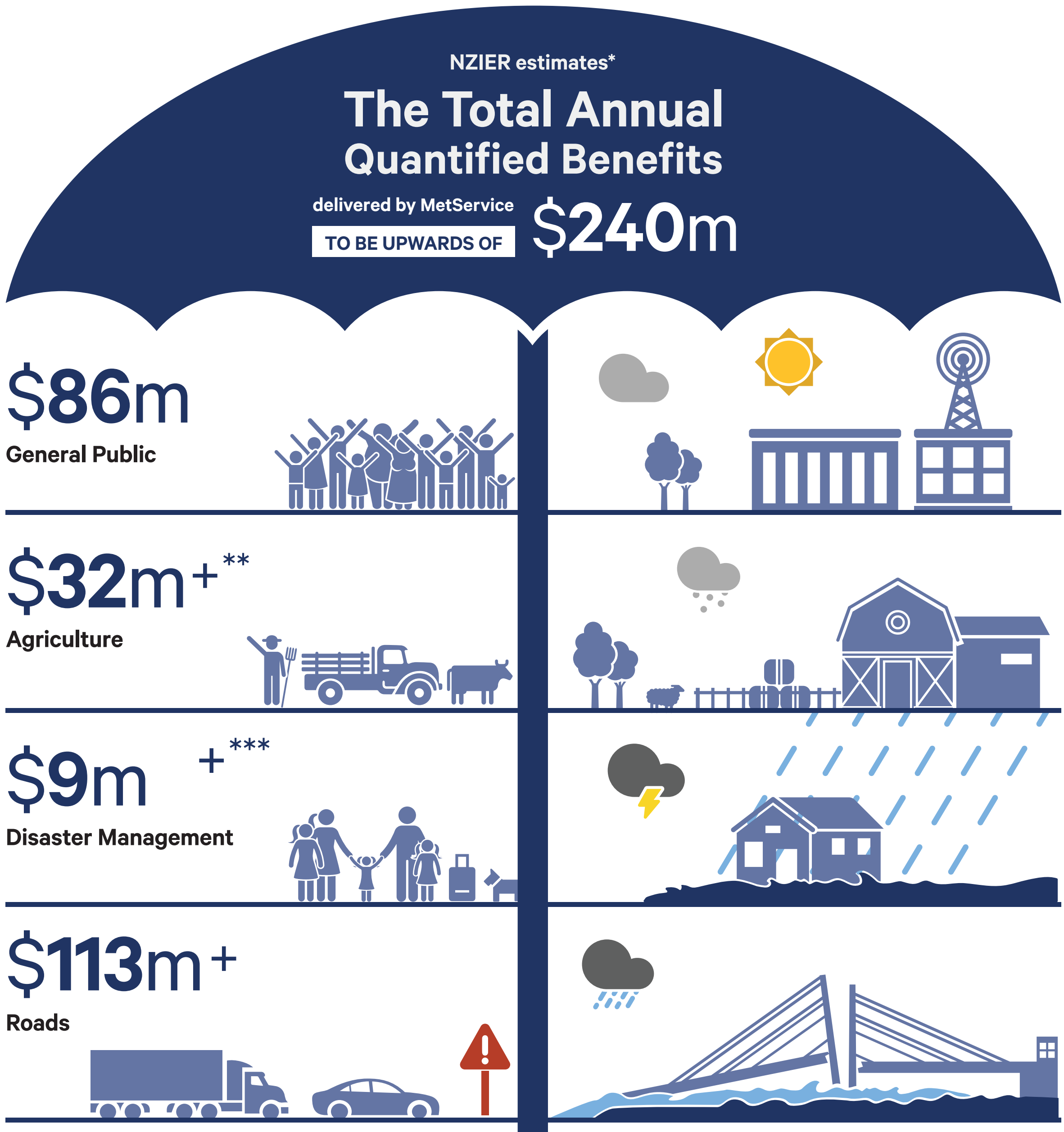
Globally, MetService operates under the MetraWeather brand. In New Zealand Weatherscape graphics are used by TVNZ, TV3 and Prime News.

The value of our service

As the national meteorological service of New Zealand, it is our role to help New Zealanders plan, prepare and get ready for the weather – every hour of every day.

The value of MetService's public weather forecasts and weather warnings provides a healthy return on the Government's investment in us. According to the New Zealand Institute of Economic Research, it's a benefit-to-cost ratio of between 10:1 and 48:1.

This value considers how forecasting reduces the cost of road accidents by adverse weather, and how being prepared can reduce the loss of lives and property in times of extreme weather events. Forecasting also benefits farmers and horticulturalists, providing cost-saving warnings that enable them to avoid stock loss and minimise crop damage ahead of adverse conditions.



*Based on 2018 NZIER report, to MetService and the Ministry of Transport, on the value of MetService's public weather forecasts and warnings; adjusted for change in MetService funding as per the Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2019.

**Described by NZIER as "clearly an underestimate" because it only includes the benefits to agricultural output from sheep and beef farming.

***NZIER considers this a "significant underestimate" because it does not include property and stock losses as a proxy for total losses.

He tāngata | Our people... world-leading

Tropical cyclone preparedness

Chris Noble

Manager Severe Weather Services

With more than 20 years' experience at MetService, Chris Noble is a specialist in tropical cyclones and severe weather.

In May 2019, the World Meteorological Organization appointed Chris as the Chair of the Tropical Cyclone Committee for the South Pacific and South-East Indian Ocean. The Committee covers 21 countries in the region, including the South Pacific area, which experiences on average nine tropical cyclones every year.

The Committee is one of five regional bodies charged with globally coordinating activities to ensure that the loss of life and damage caused by tropical cyclones is minimised through effective warning systems and international coordination and cooperation.

The Committee's role becomes even more important as the impacts of climate change hit. According to climate scientists via the International Panel for Climate Change, while globally the number of cyclones may remain essentially unchanged, they are expected to become more severe under a warming climate, producing stronger winds and more intense rain.

Chris has represented New Zealand on the Committee for the last four years, and has managed Tropical Cyclone Warning Centre (TCWC) Wellington, which MetService operates, since 2015.

Ocean knowledge

Professor Moninya Roughan

Head of Research Partnerships

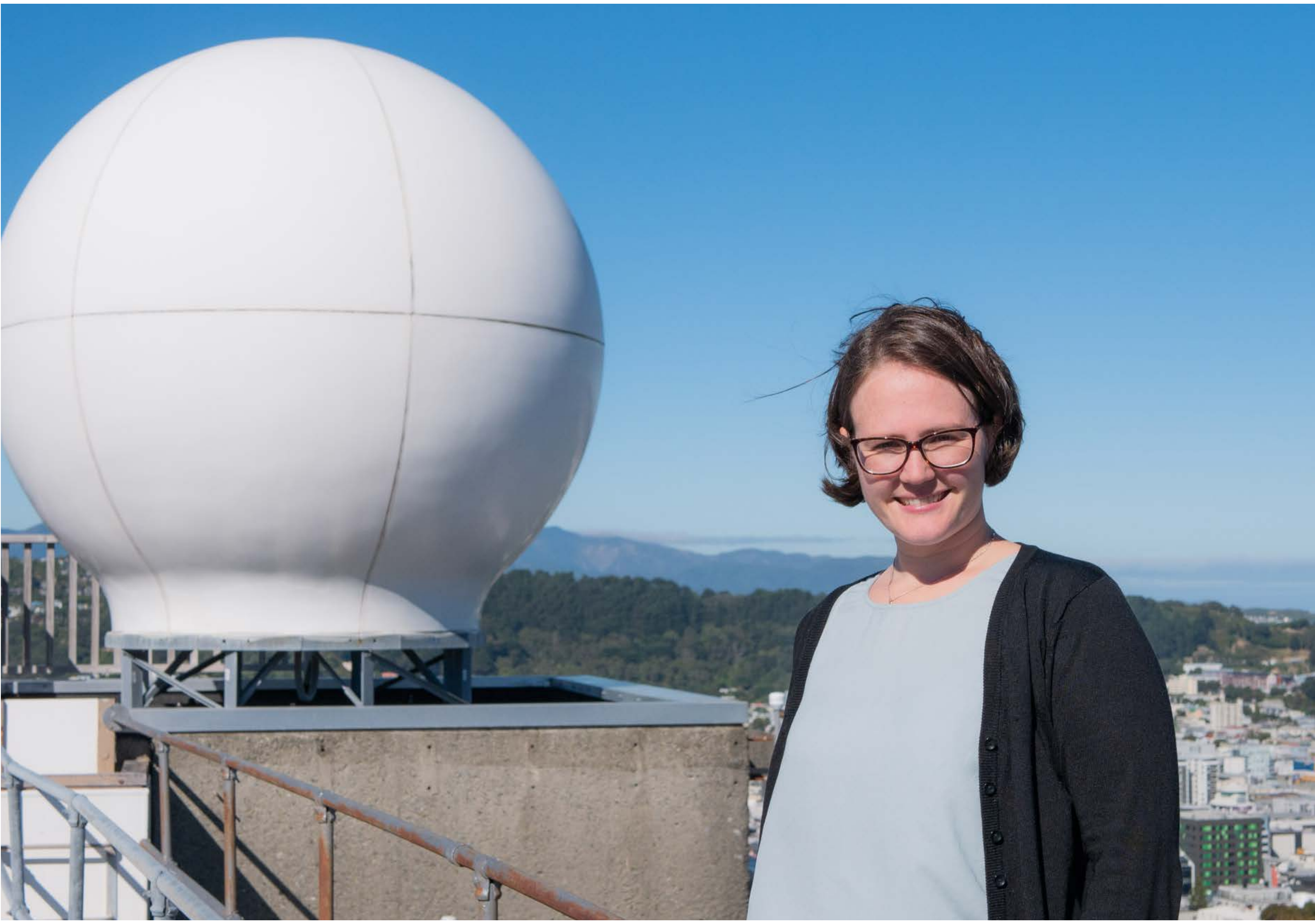
With expertise in the dynamics of coastal ocean circulation, Professor Moninya Roughan is a physical oceanographer.

Her internationally award-winning research focuses on improving understanding of the coastal ocean and biological response. She is also regarded as one of the leading experts on coastal ocean circulation in Australasia.

She joined MetOcean in 2017 as MetOcean Chief Scientist, and in December 2018 took the newly created role of Head of Research Partnerships for MetService. In that time, she has spearheaded the Moana Project, a five-year research programme that will deliver New Zealand's first-ever national ocean modelling system. In September 2018, the innovative project received $11.5 million from the Ministry of Business, Innovation and Employment's Endeavour Fund.

As part of this project, Moninya will be extending her research into coastal ocean dynamics, marine heatwaves, ocean warming, and predicted changes to ocean circulation, to support the sustainability of New Zealand's seafood industry. The project is being delivered in close partnership with eastern Bay of Plenty iwi Whakatōhea, which has growth aspirations for their offshore aquaculture facility.

Moninya is also a Professor of Oceanography at the University of New South Wales, Australia. Over the past 10 years, she has been instrumental in the design, deployment and ongoing development of one of the most comprehensive ocean observing systems in the Southern Hemisphere through her leadership role in Australia's Integrated Marine Observing System.



Maritime safety

Elke Louw

Manager Marine and Regional Weather Services

Marine meteorology is Elke Louw's area of expertise. With over 11 years' experience as both an operational forecaster and manager, she has worked at the national meteorological services in South Africa and New Zealand.

As part of her role as the Manager of Marine and Regional Weather Services at MetService, Elke is also a coordinator for a region of the Worldwide Met-Ocean Information and Warning Service (WWMIWS), known as METAREA XIV.

This service provides maritime safety information to mariners in the form of marine forecasts and warning products, both of which play a fundamental role to prevent the loss of lives and vessels at sea.

Elke coordinates METAREA XIV, one of the 21 geographical sea regions as assigned by the World Meteorological Organization.

The region of responsibility covers roughly 50 million square kilometres consisting mainly of coastal and ocean regions, that expands from the Equator down to the ice shelf of Antarctica.

The marine forecasts and warnings provided for all mariners in the area help to ensure safe navigation and operation across these waters and around New Zealand's coastal regions. The role also expands to providing assistance for search and rescue operations as required.

As weather knows no boundaries, working closely with neighbouring METAREAs helps to ensure the maritime community receives consistent messaging and is in step with any approaching issues. It is one of the many benefits being part of a global network provides.

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, and capital raising. Prior to moving to board roles, he was a successful CEO of a publicly listed NZ technology company. 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 Committee

Sophie Haslem is a professional director working across multiple industry sectors including logistics, technology, agriculture, private-equity investment, and property. She brings over 20 years of broad commercial executive experience, working across both large established corporate entities and early-stage growth companies, and nearly a decade of governance experience to the table. Sophie is a Chartered Member of the Institute of Directors in New Zealand.

Margaret Devlin, Chair, People, Culture and Remuneration Committee

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 is a Ministerial Appointee to the Councils of Waikato University and WINTEC. She also holds a number of governance roles across the infrastructure sector and is a passionate advocate of diversity and inclusion, particularly in the infrastructure sector. 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.

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.

Stephen Eaton

Stephen Eaton has held chief executive and senior management roles in the financial services and asset management sectors in New Zealand, including 17 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. Stephen 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 is a scientist, with her own research speciality being in the area of glaciology. She is currently Professor and Pro Vice Chancellor of Science at the University of Canterbury Te Whare Wānanga o Waitaha. Her governance experience is predominantly in the Crown and not-for-profit science and geospatial sectors, and includes previous appointments to the Boards of NIWA and Antarctica New Zealand, and current appointments to the Board of FrontierSI in Melbourne. Her qualifications include a Postgraduate Certificate in Public Administration from the University of Warwick and a PhD in Science from Cambridge University.

Tupara Morrison

Tupara Morrison has extensive governance and senior executive experience in 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. Tupara is a Chartered Accountant and Fellow of CAANZ, and a Member of the Institute of Directors in New Zealand. He is of Te Arawa and Ngati Whakaue descent.

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 and serves as a Director on a number of boards, most recently being appointed to the Board of the New Zealand Lotteries Commission.

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 2019, 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. Margaret Devlin and Brent Armstrong were reappointed for another three year term in May 2018, and Sophie Haslem and Stephen Eaton in November 2018.

In 2018 MetService joined the Future Directors in the State Sector programme and welcomed Kim Dirks as a Future Director on 1 July 2018 for a one-year term.

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 comprises of Meteorological Service of New Zealand Ltd, MetOcean Solutions Limited (non-trading), 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 endeavouring 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 a strategic planning session each year to consider strategic issues in conjunction with the Chief Executive and the Senior Leadership 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 People, Culture 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.

People, Culture and Remuneration Committee

The People, Culture and Remuneration Committee is chaired by Margaret Devlin 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:

- reviewing the organisation's people, culture and remuneration strategies, policies and practices;
- reviewing the remuneration framework and associated policies for the Chief Executive Officer and the Senior Leadership Team;
- monitoring succession planning and reviews of the Chief Executive Officer and Senior Leadership Team;
- overseeing the appointment, performance and remuneration of the Chief Executive Officer.

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 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. 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, recorded in the Register of Interests and set out in the Statutory Information on pages 53–54 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 2019**

	Note	Group 2019 $000s	Group 2018 $000s
Total Revenue and Other Income	3	**61,116**	**59,711**
Operating Expenses			
Collaboration Costs		1,667	1,860
Employee Benefits Expense	4	28,072	28,615
Communication Costs		694	705
Data Acquisition Costs		5,579	5,124
IT Costs		4,973	4,309
Marketing Costs		416	432
Occupancy Costs		574	481
Operating Lease Expenses		770	732
Office Expenses		366	301
Professional Expenses		1,237	1,007
Other Costs		2,598	1,879
Depreciation and Amortisation Expense	18,19	9,368	9,406
Total Operating Expenses	5	**56,314**	**54,851**
Operating Profit		**4,802**	**4,860**
Financial Costs	7	510	572
Profit Before Taxation		**4,292**	**4,288**
Taxation	6	1,737	937
Net Profit Attributable to Equity Holders		**2,555**	**3,351**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Movement in Foreign Currency Translation Reserve		70	74
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		**2,485**	**3,277**

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

Statement of Financial Position
as at 30 June 2019

	Note	Group 2019 $000s	Group 2018 $000s
Equity			
Issued Capital	8	5,000	5,000
Foreign Currency Translation Reserve		(577)	(507)
Retained Earnings		17,915	16,568
Total Equity		**22,338**	**21,061**
Liabilities			
Trade and Other Payables	9	5,501	5,737
Financial Liabilities	24	–	17
Income Taxation Payable		644	617
Employee Benefits	11	1,759	1,853
Total Current Liabilities		**7,904**	**8,224**
Deferred Taxation	6	700	1,003
Provisions	12	573	575
Employee Benefits	11	75	69
Borrowings	13	14,000	15,000
Total Non Current Liabilities		**15,348**	**16,647**
TOTAL LIABILITIES AND EQUITY		**45,590**	**45,932**
Assets			
Cash and Cash Equivalents	23	7,081	4,420
Trade and Other Receivables	10	6,392	6,751
Inventories	14	342	440
Total Current Assets		**13,815**	**11,611**
Trade and Other Receivables	10	369	171
Property, Plant and Equipment	18	13,756	14,549
Intangible Assets	19	17,650	19,601
Total Non Current Assets		**31,775**	**34,321**
TOTAL ASSETS		**45,590**	**45,932**

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 20 August 2019.

A Howard
Director

S Haslem
Director

Statement of Changes in Equity
for the year ended 30 June 2019

		Attributable to Owners					
GROUP 2019	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 2018		**5,000**	**16,568**	**(507)**	**21,061**	–	**21,061**
Comprehensive Income							
Net Profit		–	2,555	–	2,555	–	2,555
Currency Translation Differences		–	–	(70)	(70)	–	(70)
Total Comprehensive Income		**–**	**2,555**	**(70)**	**2,485**	–	**2,485**
Transactions with Owners							
Dividends Relating to 2019	20	–	(1,208)	–	(1,208)	–	**(1,208)**
Total Transactions with Owners		**–**	**(1,208)**	**–**	**(1,208)**	–	**(1,208)**
EQUITY AS AT 30 JUNE 2019		**5,000**	**17,915**	**(577)**	**22,338**	–	**22,338**
GROUP 2018							
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**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Note	Group 2019 $000s	Group 2018 $000s
Cash Flow from Operating Activities			
Cash was Provided from:			
Receipts from Customers		61,891	58,675
Interest Received		72	76
Cash was Applied to:			
Payments to Suppliers and Employees		(47,587)	(45,230)
Interest Paid		(582)	(648)
Income Taxation Paid		(1,982)	(1,303)
Net Cash Generated by Operating Activities	21	**11,812**	**11,570**
Cash Flow from Investing Activities			
Cash was Provided from:			
Proceeds from Disposal of Property, Plant and Equipment and Intangibles		8	14
Cash was Applied to:			
Purchase of Property, Plant and Equipment and Intangibles		(2,584)	(4,181)
Labour Capitalisation (Assets)		(4,367)	(4,324)
Net Cash Used by Investing Activities		**(6,943)**	**(8,491)**
Cash Flow from Financing Activities			
Cash was Applied to:			
Repayment of Borrowings		(1,000)	(500)
Acquisition of MetOcean Solutions Limited		–	(3,000)
Dividends		(1,208)	(1,060)
Net Cash Generated by Financing Activities		**(2,208)**	**(4,560)**
Net Increase in Cash and Cash Equivalents		**2,661**	**(1,481)**
Add Cash and Cash Equivalents at the Beginning of the Year		4,420	5,901
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**7,081**	**4,420**

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 2019

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 20 August 2019.

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

NZ IFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and liabilities, and replaces guidance in NZ IAS 39 Financial Instruments Recognition and Measurement.

The Group has adopted NZ IFRS 9 effective from 1 July 2018. This resulted in changes to accounting policies and classification of financial instruments. No material adjustments were raised. The accounting policies are set out on page 35. In accordance with transitional provisions in NZ IFRS 9, comparative figures have not been restated. The adoption of NZ IFRS 9 has the following impact on the classification within the financial statements. Amounts previously disclosed as loans and receivables (cash and cash equivalents and trade and other receivables) have been reclassified to the amortised cost category. There is no change in the measurement of the financial assets as a result of the reclassification. Refer to note 24. No financial liabilities were impacted by the adoption of NZ IFRS 9.

NZ IFRS 9 replaces the 'incurred loss' impairment model in NZ IAS 39 with an 'expected credit loss' (ECL) model. The ECL model requires an entity to account for the ECL and changes in those ECLs at each reporting date to reflect changes in the credit risk since initial recognition. Given the relative small size of the Group's financial assets and the low credit risk associated with the balances, the Group determined that adoption of the new impairment model did not result in a material change to the impairment losses already recognised.

NZ IFRS 15 'Revenue from contracts with customers' addresses recognition of revenue from contracts with customers. It replaces the 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 concluded that there is minimal change to the way that revenue is reported under the new standard. The Group applied this standard from 1 July 2018 using the modified retrospective approach. The new accounting policies are set out on page 32.

The Group applied the following practical expedient in respect of the transition:

The transaction price allocated to partially unsatisfied performance obligations as of 30 June 2018 is not disclosed.

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

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 Leases. 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 chosen the modified retrospective approach and has elected to exclude short-term leases and leases for which the underlying asset is of low value. We estimate the impact on the Statement of Financial Position as at 1 July 2019 to be an increase to assets of $2.6m, an increase to liabilities of $2.9m, with the difference decreasing retained earnings brought forward.

Lease-related expenses in the Statement of Profit or Loss and Other Comprehensive Income will be front loaded to the earlier years of the lease terms where the interest-bearing liabilities are higher. For the year ending 30 June 2020 the Group expects:

- Increase in finance costs and depreciation by $457,000.
- Decrease in lease costs by $491,000.
- Decrease in deferred tax by $126,000.
- Net Impact on the Statement of Profit or Loss and Other Comprehensive Income of approximately $34,000.

Current estimates are likely to change at the time of adoption and for the year ended 30 June 2020 due to finalising key estimates, new lease contracts entered into by the Group, and any changes to existing lease contracts.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2019. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All transactions between Group companies are eliminated on consolidation.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

The Group adopted NZ IFRS 15 on 1 July 2018. Under this standard, revenue is recognised when control of a good or service transfers to the customer. The Group has segregated its revenue streams into the following portfolios:

- Forecasting data and licence
- Interactive
- One-off hardware sales
- Grants and consultancy projects

For each contract portfolio the five-step method was applied to assess the impact on revenue recognition. The following accounting policies have been adopted:

Forecasting data and licence

Revenue for the provision of forecasting data is recognised over the period the data is provided. Revenue for licences is recognised over the defined term that access is granted.
Timing of recognition – Over time

Interactive

Revenue is recognised over the period of time in which the advertising space is made available on our website.
Timing of recognition – Over time

One-off hardware sales

Revenue for hardware sold is recognised when the customer obtains control of the hardware.
Timing of recognition – Point in time

Grants and consultancy projects

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

2018 Revenue recognition policy

The accounting policies for revenue recognised in the prior period are summarised below.
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

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

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%

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.

Group companies

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

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

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

Financial instruments

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

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

Financial assets

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Statement of Cash Flows

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

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

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

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

Goods and Services Tax

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

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

Critical accounting judgements 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 2019

3. REVENUE	Group 2019 $000s	Group 2018 $000s
Contracts with Customers – revenue recognised over time	56,689	54,102
Contracts with Customers – revenue recognised at a point in time	4,295	4,888
Construction Contracts (i)	–	586
Other	132	135
TOTAL REVENUE	**61,116**	**59,711**

(i) A contract for the construction of a lightning detection network was in progress at 30 June 2018. Revenue of $586,000 was 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 were recognised in the reporting period. The project is currently on hold and no further work has been completed in 2019.

4. EMPLOYEE BENEFITS EXPENSE	Group 2019 $000s	Group 2018 $000s
Wages and Salaries	30,088	30,329
Termination Benefits	6	23
Severance Payments	48	439
Defined Contribution Pension Plan Expense	662	691
Labour Capitalised	(4,367)	(4,325)
Contractors/Temporary Staff	1,053	969
Other Employee Benefits	582	489
TOTAL EMPLOYEE BENEFITS	**28,072**	**28,615**

5. OPERATING EXPENDITURE	Group 2019 $000s	Group 2018 $000s
Profit for the year has been arrived after charging/(crediting)		
Audit Fees of Financial Statements paid to PwC	158	131
Audit Fees Related to IFRS Transition	–	20
Audit Fees Related to Audit of Subsidiary MetraWeather (UK) Ltd paid to Crowe Clark Whitehall (CCW)	22	22
Audit Fees Related to MetraWeather (Thailand) Ltd paid to Morakot Lao-Amnuaychai	2	2
Fees Paid to CCW (UK) for Business Services	13	28
Fees Paid to PwC for IT Consulting resulting from PwC acquisition of Unite Software and Solutions Ltd	–	39
Research Expenditure	735	915
Loss on Disposal of Property, Plant and Equipment	2	59
Impairment of Intangible Assets	318	206
Directors' Fees	217	217
Foreign Exchange (Gains)	(122)	(237)
Increase/(Decrease) in Allowance for Impairment	34	(49)

From 1 July 2018, the Group has reclassified costs previously reported as 'other expenses' to a new category associated with revenue generated through third party agreements under 'collaboration costs' ($1.07m). Comparatives have been restated ($838,000).

From 1 July 2018, the Group has reassessed costs reported as 'operating lease expenses' and reallocated these between 'data acquisition costs' and 'operating lease expenses' to achieve consistency with the current year chart of accounts ($304,000). Comparatives have been restated ($1m).

6. TAXATION

	Group 2019 $000s	Group 2018 $000s
Profit Before Taxation	4,292	4,288
Prima Facie Taxation Thereon at 28%	1,202	1,201
Non-Deductible Legal Fees	13	6
Non-Deductible Expenditure	21	95
Prior Period Adjustment	315	(422)
Effect of Different Tax Rates in Other Jurisdictions	(4)	(107)
Re-recognise Deferred Tax Asset – MetraWeather (UK) Limited	–	(403)
Write off tax balances – MetraWeather Thailand Limited	147	–
Other	43	567
TAXATION EXPENSE	**1,737**	**937**
Current Taxation	1,824	1,474
Prior Period Adjustment – Current Taxation	216	(63)
Deferred Taxation	(402)	(115)
Prior Period Adjustment – Deferred Taxation	99	(359)
TAXATION EXPENSE	**1,737**	**937**
Deferred Tax		
Deferred tax (liabilities)/assets arise from the following:		
TEMPORARY DIFFERENCES		
Property, Plant and Equipment	(807)	(962)
Intangible Assets	(662)	(915)
Provisions and Other Liabilities	635	706
Net deferred tax liability	**(834)**	**(1,171)**
Deferred tax assets arise from the following:		
MetraWeather (UK) losses carried forward	134	168
Deferred tax asset	**134**	**168**
Deferred Taxation		
Opening Balance	(1,003)	(1,475)
On Profit for the Year	402	115
Prior Period Adjustment	(99)	359
Other	–	(2)
CLOSING BALANCE	**(700)**	**(1,003)**
IMPUTATION CREDITS FOR USE	**8,980**	**7,358**

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 in 2018, 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 utilised. The subsidiary had generated a taxable income for the prior period and was expected to generate taxable income in future periods. As a consequence, a deferred tax asset of $403,000 was recognised in 2018.

The deferred tax liability is comprised of $741,000 liability related to New Zealand business activities and $41,000 asset related to International operations. The current tax liability is comprised of $687,000 liability related to the New Zealand business operations and $43,000 asset related to International business activities.

A corporate tax rate of 28% applies in both the 2019 and 2018 income tax years.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2019

7. FINANCE COSTS – NET

	Group 2019 $000s	Group 2018 $000s
Interest Revenue		
Bank Deposits	57	35
Other	15	41
Total Finance Income	**72**	**76**
Interest on Bank Overdrafts and Loans	582	648
Use of Money Interest	–	–
Total Finance Costs	**582**	**648**
FINANCE COSTS – NET	**510**	**572**

8. ISSUED CAPITAL

	Group 2019 $000s	Group 2018 $000s
Authorised, Issued and Fully Paid Capital Consists of 5m 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 2019 $000s	Group 2018 $000s
Trade Payables	1,597	1,860
Other Payables	835	123
Accruals	1,302	3,008
Contract Liability Income in Advance	1,767	746
TOTAL TRADE AND OTHER PAYABLES	**5,501**	**5,737**

10. TRADE AND OTHER RECEIVABLES

	Group 2019 $000s	Group 2018 $000s
Trade Receivables – Contracts with Customers	4,045	4,881
Allowance for Impairment	(64)	(30)
	3,981	**4,851**
Prepayments – current	1,517	1,147
Sundry Debtors – current	894	753
TOTAL TRADE AND OTHER RECEIVABLES – CURRENT	**6,392**	**6,751**
Sundry Debtors – non current	–	171
Prepayments – non current	369	–
TOTAL TRADE AND OTHER RECEIVABLES – NON CURRENT	**369**	**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 $433,548 (2018: $944,162) 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 2019 $000s	Group 2018 $000s
Ageing Past Due Trade Receivables (Not Impaired)		
30–60 days	188	226
60–90 days	36	377
Above 90 days	210	341
TOTAL	**434**	**944**
Movement in the Allowance for Impairment		
Balance at Beginning of the Year	30	79
Doubtful Debts	64	30
Impairment Losses Reversed	(30)	(79)
BALANCE AT END OF THE YEAR	**64**	**30**

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 consider 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 $64,490 (2018: $30,410) for the Group, relating to entities which have been considered doubtful.

11. EMPLOYEE BENEFITS

	Group 2019 $000s	Group 2018 $000s
Annual Leave Entitlement	1,759	1,841
Termination Leave	75	81
TOTAL EMPLOYEE BENEFITS	**1,834**	**1,922**
Termination Leave		
Opening Balance as at 1 July	81	104
Reductions Arising from Payments/ Other Sacrifices of Future Economic Benefits	(6)	(23)
CLOSING BALANCE AS AT 30 JUNE	**75**	**81**
Termination Leave – Current	–	12
Termination Leave – Non Current	75	69
CLOSING BALANCE AS AT 30 JUNE	**75**	**81**

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 2019

12. PROVISIONS	Group 2019 $000s	Group 2018 $000s
Non Current		
Restoration Provision	573	575
TOTAL NON CURRENT PROVISIONS	**573**	**575**
Restoration Provision		
Opening Balance as at 1 July	575	574
Change for Passage of Time	(8)	(21)
Effects of Changes in Discount Rates	26	22
Annual Usage	(20)	–
CLOSING BALANCE AS AT 30 JUNE	**573**	**575**

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 licence 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 1.73% (2018: 2.84%) as the discount rate and assumed a 1.1% (2018: 1.1%) 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 2019: $337,752 (2018: $325,321).

13. BORROWINGS	Group 2019 $000s	Group 2018 $000s
Secured		
Non Current		
Bank Loan	14,000	15,000
TOTAL BORROWINGS	**14,000**	**15,000**

The Parent has a multi-option credit line facility with Westpac Banking Corporation to the value of $4m. Interest is charged on drawn amounts at the cash rate plus a corporate margin of 90 basis points as at 30 June 2019. There is a line-of-credit charge of 0.035% per month on the commitment during that month.

The Parent has an ongoing term loan agreement with Westpac Banking Corporation. The loans have interest rates that are fixed and due for renewal between 30 June 2019 and 24 April 2022. The bank loans will mature on 30 June 2022. The average interest rate for the loans as at 30 June 2019 is 4.15% (2018: 4.19%).

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 2019, all banking covenants had been complied with throughout the period.

Net Debt Reconciliation

Borrowings at 30 June 2019 were $14m, down $1m from 30 June 2018 due to loan repayments.

14. INVENTORIES	Group 2019 $000s	Group 2018 $000s
Meteorological Consumables	342	440
TOTAL INVENTORIES	**342**	**440**

The cost of inventories recognised as an expense during the year was $439,410 (2018: $428,949).
No provision has been made against inventory items held at year end.

15. METOCEAN SOLUTIONS LIMITED

15(a) Summary of Business Combination

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

	Group 2018 $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)**

15(b) Summary of Amalgamation

On 1 July 2018, MetOcean Solutions Limited was amalgamated with Meteorological Service of New Zealand Limited. The amalgamation was accounted for using the predecessor method. The difference between the assets and liabilities amalgamated was recognised in equity.

The carrying value of the identifiable assets and liabilities of MetOcean Solutions Limited as at the date of amalgamation was:

	$000s
Cash and Cash Equivalents	365
Trade and Other Receivables	1,218
Property, Plant and Equipment	156
Intangibles – Software	1,410
Current Tax	(394)
Trade and Other Payables	(405)
Employee Benefits	(191)
Deferred Tax Liability	40
Net assets consolidated	**2,199**

The effect of the amalgamation on retained earnings was:

Retained earnings amalgmated into the continuing entity	2,199
Total effect of the amalgamation on retained earnings	**2,199**

16. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 30 June 2019 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.	Non-trading – Name Protection Purposes

On 24 September 2018, the Meteorological Service of New Zealand Limited opened a Representative Office in Bangkok, Thailand. Closure proceedings have begun for MetraWeather (Thailand) Limited. The Asian 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. Intercompany balances eliminate on consolidation.

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 2019 $000s	Group 2018 $000s
Total Salaries	2,400	1,842
Performance Pay Paid Relating to Prior Year	386	304
Defined Contribution Pension Plan Expense	75	64
Directors' Remuneration	217	217
	3,078	**2,427**

Other Related Parties

The Group acquired marketing services from Calibrate Marketing Limited on normal commercial terms, to the value of $11,730 (2018 $11,050). This entity is controlled by a member of key management personnel.

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 2019	Land & Buildings $000s	Meteorological Equipment & Plant $000s	ICT Equipment, Vehicles & Furniture $000s	Work In Progress $000s	**Total $000s**
Cost	10,173	24,480	8,521	544	**43,718**
Accumulated Depreciation and Impairment	(6,863)	(15,558)	(7,541)	–	**(29,962)**
CARRYING AMOUNT	**3,310**	**8,922**	**980**	**544**	**13,756**
Opening Carrying Amount	3,504	9,747	1,037	261	**14,549**
Additions at Cost	50	217	465	818	**1,550**
Disposals	–	(449)	(339)	–	**(788)**
Asset Transfers	–	–	–	(12)	**(12)**
Depreciation	(532)	(1,256)	(534)	–	**(2,322)**
Accumulated Depreciation Recovered	–	449	330	–	**779**
Work In Progress Movement	288	214	21	(523)	–
NET BOOK VALUE AS AT 30 JUNE 2019	**3,310**	**8,922**	**980**	**544**	**13,756**

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**

19. INTANGIBLE ASSETS

GROUP 2019	Goodwill	Software	Customer Base	Capital Work In Progress	Total
Cost	3,025	51,676	412	3,735	**58,848**
Accumulated Amortisation	–	(40,786)	(412)	–	**(41,198)**
CARRYING AMOUNT	**3,025**	**10,890**	–	**3,735**	**17,650**
Opening Carrying Amount	3,025	12,243	–	4,333	**19,601**
Additions at Cost	–	70	–	5,276	**5,346**
Disposals	–	(1,563)	–	–	**(1,563)**
Asset Impairment 2018		206			**206**
Asset Impairment 2019	–	(318)	–	–	**(318)**
Amortisation Expense	–	(7,046)	–	–	**(7,046)**
Accumulated Amortisation Recovered	–	1,412	–	–	**1,412**
Asset Transfers	–	–	–	12	**12**
Work in Progress Movement	–	5,886	–	(5,886)	–
NET BOOK VALUE AS AT 30 JUNE 2019	**3,025**	**10,890**	–	**3,735**	**17,650**

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 2017	**3,025**	**12,243**	–	**4,333**	**19,601**

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 (2018: $103) and Network Engineer's rate is $72 per hour (2018: $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 2018 Meteorological Service of New Zealand Limited 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 2.0% based on the business plan. In the current year there are no significant 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 Group's Weighted Average Cost of Capital. At 30 June 2019, a post-tax discount rate of 7.05% (2018: 7.5%) 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. On 1 July 2018, MetOcean Solutions Limited was amalgamated with the Meteorological Service of New Zealand Limited. Due to the change in reporting structure, the goodwill has been re-allocated to the New Zealand company as this is considered the smallest identifiable group of assets that generates cash flows that are largely independent from other assets. 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 2022, incorporating an average revenue growth rate of 5.0% based on the business plan. In the current year there are no significant 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 Group's Weighted Average Cost of Capital. At 30 June 2019, a post-tax discount rate of 7.05% (2018: 7.5%) 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 2019 $000s	Group 2018 $000s
Final Dividends Paid	**1,208**	**1,060**

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

	Group 2019 $000s	Group 2018 $000s
Reconciliation of Net Surplus with Cash Flow from Operating Activities		
Net Surplus for the Year	2,555	3,351
Non Cash/Non Operating Items		
Depreciation and Amortisation	9,368	9,406
(Decrease) in Deferred Tax	(303)	(470)
Loss on Foreign Exchange Contracts	–	17
Impairment losses on PPE and Intangibles	318	155
Loss on Sale of Fixed Assets	2	59
Increase in Restoration Provision	2	1
Other Non Cash Operating Items	(92)	(37)
INCREASE IN NON CASH ITEMS	**9,295**	**9,131**
Movements in Working Capital		
Decrease/(Increase) in Receivables	160	(1,047)
(Decrease)/Increase in Accounts Payable and Accruals	(324)	159
Increase in Income Taxation Payable	28	69
Decrease/(Increase) in Inventories	98	(93)
Total Movement in Working Capital	**(38)**	**(912)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**11,812**	**11,570**

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 2019 $000s	Group 2018 $000s
Non Cancellable Operating Lease Commitments		
Not Later than One Year	801	783
Later than One Year and Not Later than Five Years	1,437	1,519
Later than Five Years	854	1,119
	3,092	**3,421**

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 2019 $000s	Group 2018 $000s
Cash and Cash Equivalents	**7,081**	**4,420**

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

The Parent provides support for meteorological services in the Pacific Islands. 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	8

*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 are 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 2018.

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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 – the Group must advise the bank if the Ministry of Transport 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 2019, the interest cover was 24.4 (2018: 22.0) and the leverage ratio was 1.0 (2018: 1.0).

Financial instruments by category

Categories of Financial Instruments	Group 2019 $000s	Group 2018 $000s
Assets		
FINANCIAL ASSETS AT AMORTISED COST (2018: LOANS AND RECEIVABLES)		
Cash and Cash Equivalents	7,081	4,420
Trade and Other Receivables	4,876	5,775
TOTAL FINANCIAL ASSETS	**11,957**	**10,195**
Liabilities		
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and Other Payables	3,352	4,539
Borrowings	14,000	15,000
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Foreign Exchange Contracts	–	17
Termination Leave	75	81
TOTAL FINANCIAL LIABILITIES	**17,427**	**19,637**

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.

Notes to the Financial Statements (Cont.)
for the year ended 30 June 2019

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 in line 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 2019 $000	Liabilities 2018 $000	Assets 2019 $000s	Assets 2018 $000s
Group				
US Dollars	44	61	461	1,106
British Pounds	16	112	567	407
Euro	25	136	332	222
Australian Dollars	36	527	1,670	883
Thai Baht	–	68	108	172
	121	**904**	**3,138**	**2,790**

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 $236,000 (2018: $176,000). If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by $288,000 (2018: $194,000).

Forward Foreign Exchange Contracts

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

	Group 2019 $000s	Group 2018 $000s
Fair Value Loss on contracts held	–	17

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 $145,000. (2018: $152,500). If interest rates had been 1% lower and all other variables were held constant, Group profit and equity would have increased by $145,000 (2018: $152,500).

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 $4m (2018: $4m) 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 2019 $000s			Group 2018 $000s
	Borrowings $000s	Interest Payable $000s		Borrowings $000s	Interest Payable $000s
<6 Mths	–	290	<6 Mths	–	325
12 Mths	–	290	12 Mths	–	325
1–5 Yrs	14,000	1,161	1–5 Yrs	15,000	1,948
5+ Yrs	–	–	5+ Yrs	–	–
	14,000	**1,741**		**15,000**	**2,598**

It is likely that the Group 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 2019 $000s	Group 2018 $000s
Commitments for the acquisition of property, plant and equipment	1,044	–

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 2019

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 26 to 50, that comprise the Statement of Financial Position as at 30 June 2019, 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 2019; 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 21 August 2019. 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 our 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 Directors' 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 59, 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 audit opinion or assurance conclusion thereon.

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.

Other than the audit, we have no relationship with or interests in the Group.

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

PricewaterhouseCoopers

Statistory Information

Results of operations

	2019 $000s	2018 $000s
Net Profit	2,555	3,351
Net Profit non-controlling interests	–	(21)
Final Dividend Paid	(1,208)	(1,060)
Acquisition of non-controlling interests	–	(1,824)
Retained Earnings at Beginning of the Year	16,568	16,122
Retained Earnings at End of the Year	17,915	16,568

Changes in accounting policies

There have been no material changes in accounting policies during the year, other than changes for adoption of NZ IFRS 15 and NZ IFRS 9. The policies are set out on pages 31–36.

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	30
$110,000 – $119,000	37
$120,000 – $129,000	11
$130,000 – $139,000	17
$140,000 – $149,000	6
$150,000 – $159,000	5
$160,000 – $169,000	2
$170,000 – $179,000	3
$180,000 – $189,000	1
$190,000 – $199,000	1
$210,000 – $219,000	1
$220,000 – $229,000	1
$230,000 – $239,000	2
$260,000 – $269,000	1
$310,000 – $319,000	1
$320,000 – $329,000	1
$560,000 – $569,000	1

Donations

No material donations were made this year.

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 $158,000.

The amount in respect of the year for other services provided by PricewaterhouseCoopers is nil.

Directors' fees

The total fees payable to members of the MetService Board during FY2019 was $216,894. The total Board fees are within the amount authorised by the Shareholding Ministers.

Anthony Howard (Chair)	$46,896
Sophie Haslem (Deputy Chair)	$29,310
Brent Armstrong	$23,448
Margaret Devlin	$23,448
Roanne Parker	$23,448
Stephen Eaton	$23,448
Tupara Morrison	$23,448
Prof Wendy Lawson	$23,448
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 2019 are:

Director	Interest
A Howard (Chair)	Howard Co Ventures Limited AJW Howard & Co Limited Onvine Limited Karma Cola Limited Be. Institute Wayfairer Limited All Good Bananas Limited Ecological Investments Limited Verde Advisory Board Spider Tracks Limited Titanium Solutions Limited MetOcean Solutions Limited The Lloyd Morrison Trust LMT Nominee Limited
S Haslem (Deputy Chair and Chair, Audit and Risk Assurance Committee)	Rangatira Limited Magritek Limited (resigned 2 July 2019) Magritek Holdings Limited (resigned 2 July 2019) 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 Oyster Property Group Limited Oyster Management Limited Livestock Improvement Corporation Limited LIC Agritechnology Company Limited Oyster Property Holdings Limited
T Morrison	ID Group Holdings Ltd Geneva Healthcare NZMG Ltd Competenz New Zealand Māori Arts and Crafts Institute Pukeroa Oruawhata Trust Ngati Whakaue Tribal Lands Inc Te Puia Limited
B Armstrong	None
S Eaton	AMS Consult Limited Hanlu Consulting Limited Number 63 Limited

Director	Interest
M Devlin (Chair, People, Culture and Remuneration Committee)	E-Spatial Limited (resigned 1 July 2019) Watercare Services Limited Auckland City Water Limited Waikato Institute of Technology Institute of Directors Waikato Regional Airport Limited Waikato Regional Airport Hotel Limited Titanium Park Limited National Infrastructure Advisory Board Waikato University Waikato District Council IT Partners Group Limited Women in Infrastructure Network Aurora Energy Limited Lyttelton Port Company Limited Infrastructure New Zealand Indepen NZ Limited (non-trading) Hospice Waikato Harrison Grierson Consultants Limited (resigned 1 July 2019) Harrison Grierson Holdings Limited (resigned 1 July 2019) Harrison Grierson International Limited (resigned 1 July 2019)
Prof Wendy Lawson	University of Canterbury FrontierSI Safer Christchurch Governance Group Te Pūnaha Matatini MacDiarmid Institute Diversity Working Group of Royal Society Te Apārangi Tomorrow's Skies Charitable Trust
R Parker	New Zealand Lotteries Commission Calibrate Marketing Limited Wonderstuff Limited Pulse GP Limited

Directors' statement

This Annual Report is for the period 1 July 2018 to 30 June 2019 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 2019	Actual 2018
1. Shareholder Returns			
Total Shareholder Return	2.0%	8.1%	5.6%
Dividend Yield	2.0%	1.9%	1.7%
Dividend Payout	12.6%	10.2%	9.2%
Return on Equity (ROE)	13.8%	11.8%	15.6%
Return on Funds Employed	12.9%	13.3%	13.2%
2. Profitability/Efficiency			
NPAT	2,948	2,555	3,351
EBIT	4,700	4,802	4,860
EBITDA	15,208	14,170	14,266
Asset Turnover	1.41	1.36	1.28
Operating Margin (EBITDAF)	25.0%	23.2%	23.9%
Operating Margin (EBIT)	7.7%	7.9%	8.1%
3. Leverage/Solvency			
Gearing Ratio (net)	30.6%	23.6%	33.5%
Interest Cover	25.1	24.3	22.0
Solvency	2.77	1.75	1.41
Debt Coverage Ratio	3.09	2.92	3.09
4. Growth/Investment			
Revenue Growth	2.4%	2.4%	7.8%
EBITDA Growth	9.3%	-0.7%	10.4%
NPAT Growth	6.2%	-23.7%	37.3%
Capital Renewal	0.62	0.78	0.90

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 2019	Actual 2018
Warnings Performance			
POD Heavy Rain (12 mo mean)	>90%	93%	93%
POD Severe Gales (24 mo mean)	>85%	93%	92%
POD Heavy Snow (24 mo mean)	>85%	95%	89%
FAR Heavy Rain (12 mo mean)	<25%	8%	12%
FAR Severe Gales (24 mo mean)	<30%	19%	18%
FAR Heavy Snow (24 mo mean)	<30%	5%	4%
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	239	245
Community Engagement (hours)	185	140	230
WMO Staff Participation (number of staff)	10	15	14

*Hand injury leading to ruptured tendon several days later, resulting in eight days of lost time.

** Fall from a small ladder on uneven ground leading to cracked ribs, resulting in four days of lost time.

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 in MetService's Wellington office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available in 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 a 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)
Sophie Haslem (Deputy Chair/Audit and Risk Assurance Chair)
Brent Armstrong
Margaret Devlin
Stephen Eaton
Roanne Parker
Tupara Morrison
Dr Wendy Lawson

EXECUTIVE

Chief Executive
Peter Lennox
GM Science Strategy
Norm Henry
Chief Financial Officer
Keith Hilligan
GM Meteorological Operations
Ramon Oosterkamp
GM Sales
James Caust (to 31 July 2018)
Rob Harrison (from 1 September 2018)
GM Strategy & Governance
Tina Dustdar
GM Brand & People Experience
Angus Swainson
Chief Information Officer
Mark Huttley
GM MetOcean
Brett Beamsley
GM Products and Partnerships
Matt Pearce

BANKER

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

AUDITOR

Chris Barber, with the assistance of
PricewaterhouseCoopers
10 Waterloo Quay
PO Box 243
Wellington, New Zealand
On Behalf of:
Office of the Auditor-General
100 Molesworth Street
PO Box 3928
Wellington, New Zealand

Design: MetService
This report is also available online at
metservice.com and metraweather.com

HEAD OFFICE

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Thailand

Meteorological Service of New Zealand
(Thailand Representative Office)
C/o Premier Thai Lawyers Ltd (Head Office)
Liberty Square, #1803, 18th Floor,
287 Silom Road, Silom,
Bangrak, Bangkok
Thailand

Our Mangopare logo

The Mangopare represents strength, leadership, agility, tenacity, unrelenting determination, courage, and wealth.

The dynamic motion of the twin Mangopare (hammerhead sharks), 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.

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New Zealand
Phone +64 4 4700 700
metservice.com   metraweather.com   metocean.co.nz

This report is also available online at metservice.com