MetService
TE RATONGA TIRORANGI

Half Year Report 2024

Business Performance & Outlook

The Directors announce an operating profit of $729,000 for the six-month period ended 31 December 2023.

It has been a challenging first half of the financial year with a weaker than expected New Zealand economy and inflationary pressures increasing the cost base and impacting our result. We are anticipating a better second half of the financial year with improving conditions in the advertising sector and conversion of international opportunities.

Revenue increased by $1.43 million (4.4%) over the same period in the last financial year, due to a strengthened aviation sector and an uplift in our Ministry of Transport contract. This has been offset by lower revenue than anticipated from advertising on our digital platforms and from business-to-business customers.

Costs increased by $1.89 million over the same period in the last financial year, mainly due to inflationary cost increases.

The gearing ratio at 31 December 2023 was 24.8%.

Concluding statement

As New Zealand's trusted provider of weather warnings and forecasts, MetService continues to deliver huge value to the country. Through our expertise, observation network, connections, and channels we support the safety and resilience of New Zealanders in the changing climate.

On behalf of the Board:

Paula Jackson
Chair

At a glance

Weather data & observations

5.0m+
Automatic Weather Station hourly observation (includes partner networks)

197,000+
Marine buoy observations from our network of 46 buoys

98,600+
Lightning strikes detected over New Zealand and coastal waters

29,500+
Weather, hydrodynamic and wave model runs

351,000+
Weather radar scans from our national network of ten radars

1,000+
Weather balloon releases/soundings

79
Atmospheric and oceanographic New Zealand focused models

Our reach

4,400+
Media articles

1.0m
App users

152.5m
Website visits

26,400+
Instagram followers

122,000+
X (Twitter) followers

219,000+
Facebook followers

International contribution

14
People involved in international meteorological bodies/panels

33
World Meteorological Organization and international meetings we contributed to (virtually and in person)

$3.9m
Revenue from our international clients

What we delivered

16,500+
Total Warnings, Watches, Outlooks Advisories and updates

144
Severe Weather Warnings (including 1 Red Warning event)

34
Tropical Cyclone Bulletins

20
Severe Thunderstorm Warning events

134
Road Snow Warnings

165,900+
Public forecasts

28,500+
Aviation forecasts and warnings

53,500+
Marine forecasts and warnings

530+
Severe Weather direct briefings with councils

12
Volcanic Ash Advisory for Aviation

116
Heat Alerts

4,030
Tailored consultancy forecasts

Service highlights

$262k
Savings through digital and technology efficiencies

97%
Public awareness of MetService

2nd equal
Ranking in Kantar's Public Sector Reputation Index

8
Graduates join our Master of Meteorology course

5
Experienced meteorologists recruited to our National Forecasting Centre team

~550
Businesses (New Zealand and International) paid to use our services

60+
New local and international clients

Number Crunch

Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 31 December 2023

	Note	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Contracts with Customers - revenue recognised over time		33,705	32,269	65,085
Contracts with Customers - revenue recognised at a point in time		89	10	603
Grant Income		81	85	306
Other		56	132	495
Total Revenue and Other Income		**33,931**	**32,496**	**66,489**
Operating Expenses				
Collaboration / Subcontractor Costs		1,812	1,581	3,692
Employee Benefits Expense		17,588	17,006	33,917
Communication Costs		239	303	643
Network Observing Costs		1,179	1,099	2,204
IT Costs		2,661	2,556	5,332
Data Costs		2,816	2,452	4,961
Marketing Costs		140	128	545
Occupancy Costs		262	429	908
Office Expenses		158	139	292
Professional Expenses		894	721	1,740
Other Costs		1,158	942	2,243
Depreciation and Amortisation Expense		4,295	3,958	7,901
Total Operating Expenses		**33,202**	**31,314**	**64,378**
Operating Profit		**729**	**1,182**	**2,111**
Financial Costs	3	310	192	433
Profit Before Taxation		**419**	**990**	**1,678**
Taxation Expense	4	128	287	351
Net Profit Attributable to Equity Holders		**291**	**703**	**1,327**
Other Comprehensive Income				
Items that may be reclassified to profit or loss				
Movement in Foreign Currency Translation Reserve		(11)	–	54
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**280**	**703**	**1,381**

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

Statement of Financial Position
as at 31 December 2023

	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Equity			
Issued Capital	5,000	5,000	5,000
Foreign Currency Translation Reserve	(497)	(537)	(486)
Retained Earnings	19,900	18,985	19,609
Total Equity	**24,403**	**23,448**	**24,123**
Liabilities			
Trade and Other Payables	6,998	6,412	8,250
Forward Foreign Exchange Contracts	30	19	–
Income Taxation Payable	–	234	–
Employee Benefits	2,170	2,041	1,066
Lease Liabilities	973	1,046	2,229
Borrowings	1,000	–	–
Total Current Liabilities	**11,171**	**9,752**	**11,545**
Provisions	647	651	619
Employee Benefits	21	39	21
Borrowings	10,500	10,500	10,500
Lease Liabilities	2,408	2,349	2,141
Total Non Current Liabilities	**13,576**	**13,539**	**13,281**
Total Liabilities and Equity	**49,150**	**46,739**	**48,949**
Assets			
Cash and Cash Equivalents	3,443	4,482	3,808
Trade and Other Receivables	8,166	6,845	7,816
Forward Foreign Exchange Contracts	–	–	4
Income Taxation Receivables	54	–	210
Inventories	871	546	658
Total Current Assets	**12,534**	**11,873**	**12,496**
Trade and Other Receivables	894	274	1,025
Deferred Taxation	461	788	404
Property Plant and Equipment	17,810	16,579	17,617
Intangible Assets	14,226	13,966	14,362
Right-of-Use Asset	3,225	3,259	3,045
Total Non Current Assets	**36,616**	**34,866**	**36,453**
Total Assets	**49,150**	**46,739**	**48,949**

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

Statement of Changes in Equity
for the six months ended 31 December 2023

31 December 2023 (unaudited)	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2023	**5,000**	**19,609**	**(486)**	**24,123**
Net Profit	–	291	–	291
Currency Translation Differences	–	–	(11)	(11)
Total Comprehensive Income	**–**	**291**	**(11)**	**280**
Equity as at 31 December 2023	**5,000**	**19,900**	**(497)**	**24,403**

31 December 2022 (unaudited)				
Equity as at 1 July 2022	**5,000**	**18,282**	**(540)**	**22,742**
Net Profit	–	703	–	703
Currency Translation Differences	–	–	3	3
Total Comprehensive Income	**–**	**703**	**3**	**706**
Equity as at 31 December 2022	**5,000**	**18,985**	**(537)**	**23,448**

30 June 2023 (audited)				
Equity as at 1 July 2022	**5,000**	**18,282**	**(540)**	**22,742**
Net Profit	–	1,327	–	1,327
Currency Translation Differences	–	–	54	54
Total Comprehensive Income	**–**	**1,327**	**54**	**1,381**
Equity as at 30 June 2023	**5,000**	**19,609**	**(486)**	**24,123**

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

Statement of Cash Flows
for the six months ended 31 December 2023

	Note	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Cash Flow from Operating Activities				
Cash was Provided from:				
Receipts from Customers		33,622	32,263	65,811
Interest Received		72	61	150
Cash was Applied to:				
Payments to Suppliers and Employees		(30,160)	(28,323)	(56,321)
Interest Paid		(382)	(253)	(583)
Income Taxation Paid		(38)	(57)	(191)
Net Cash Generated by Operating Activities	6	**3,114**	**3,691**	**8,866**
Cash Flow from Investing Activities				
Cash was Provided from:				
Proceeds from Disposal of Property, Plant and Equipment		18	–	–
Cash was Applied to:				
Purchase of Property, Plant and Equipment		(1,496)	(1,726)	(4,709)
Labour Capitalisation (Assets)		(2,402)	(1,671)	(4,017)
Net Cash Used by Investing Activities		**(3,880)**	**(3,397)**	**(8,726)**
Cash Flow from Financing Activities				
Cash was Provided from:				
Movement in Borrowings		1,000	–	–
Cash was Applied to:				
Lease Liability - Principal Payments		(599)	(497)	(1,017)
Net Cash Generated by Financing Activities		**401**	**(497)**	**(1,017)**
Net (Decrease) in Cash and Cash Equivalents		**(365)**	**(203)**	**(877)**
Add Cash and Cash Equivalents at the beginning of the period		3,808	4,685	4,685
Cash and Cash Equivalents at the end of the Period		**3,443**	**4,482**	**3,808**

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

Notes to the Financial Statements
for the six months ended 31 December 2023

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 February 2024.

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 L2 / 110 Featherston Street, 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.

Standards adopted for the first time

Not Applicable.

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

None.

Principles of consolidation

Subsidiaries

The financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 31 December 2023.
Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or disposal. All transactions between Group companies are eliminated on consolidation.

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

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

Revenue

The Group derives revenue from delivering a range of weather services that directly support the safety of life and property.Revenue is recognised when control of a good or service transfers to the customer. The Group has segregated its revenue streams into portfolios.

Sales are made with a standard term of 30 days.
For each contract portfolio the five-step method was applied to assess the impact on revenue recognition.

Contracts with Customers - revenue recognised over time

- Forecasting data and licence - Over Time

  Revenue for the provision of forecasting data is recognised over the period the data is provided. Revenue for licences is recognised over the defined term that access is granted.

- Business to consumer - Over Time

  Revenue is recognised over the period of time in which the advertising space is made available on our website

- Consultancy - Over Time

  Revenue is recognised over the period that the service is received.

- Grants - Over Time

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

Contracts with Customers - revenue recognised at a point in time

- Hardware and one off data sales - Point in Time

  Revenue for hardware or data sold is recognised when the customer obtains control of the hardware or data.

Contract Liabilities - income received in advance are expected to be recognised within the next 12 months.

Government grants

Government grants are recognised as revenue when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Research & Development tax credits

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

Interest income

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

Borrowings

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

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

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% – 33.3%
Meteorological Equipment & Plant	2.5% - 33.3%
ICT Equipment, Vehicles & Furniture	8.0% – 33.3%

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

Leases NZ IFRS 16

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

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

The finance cost is charged to the Statement of Profit or Loss and Other Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease extension options were taken into consideration as a result of the adoption of NZ IFRS 16. When the Group recognises a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise any extension or termination options. It then uses the expected modified term under such options if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognised as a right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

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.

Provisions

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

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

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

Restoration provision

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

Reestimates of the restoration provision are capitalised as part of the Right-of-Use Asset. Other movements are recognised as profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Employee benefits

Remuneration

The Board and management are committed to remuneration practices that are fair, transparent and appropriate, and which contribute to strong governance, shareholder value and Group performance. This starts with MetService's Remuneration Policy which is developed under the supervision of the Board's People, Culture & Remuneration Committee and approved by the Board. MetService's Remuneration Policy sets out the remuneration principles applying to all of our people and is designed to ensure that MetService meets our strategic policy objective of attracting, retaining and motivating high calibre people to achieve our business objectives.

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

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

Wages and salaries and annual leave

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

Termination leave

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

Tax

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

Current tax

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

Deferred tax

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

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

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

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

Foreign currencies

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

Transactions and balances

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

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

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

Group companies

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

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position.
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at monthly 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, lease liabilities, employee entitlements and forward contracts.

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

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

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

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

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

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

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

Financial liabilities
Financial liabilities, including trade and other payables and borrowings, are initially measured at fair value, net of transaction costs. Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

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

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

Statement of Cash Flows

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

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

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

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

Goods and Services Tax

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

Share capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

3. FINANCE COSTS – NET	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Interest Revenue			
Bank Deposits	72	61	150
Total Finance Income	**72**	**61**	**150**
Interest on Bank Overdrafts and Loans	304	186	456
Interest Expense - Lease Liability	78	66	127
Use of Money Interest	–	1	–
Total Finance Costs	**382**	**253**	**583**
Finance Costs – Net	**310**	**192**	**433**

4. TAXATION	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Net Profit Before Taxation	419	990	1,678
Prima Facie Taxation Thereon at 28%	118	277	470
Non-Deductible Expenditure	10	10	12
Non-Deductible Legal Fees	9	10	3
Prior Period Adjustment	–	–	19
R&D Tax Credit Received	–	–	(65)
Effect of Different Tax Rates in Other Jurisdictions	–	–	1
Effect of Change in Corporate Tax Rate - MetraWeather UK	–	–	(21)
Other	(9)	(10)	(68)
Taxation Expense	**128**	**287**	**351**
Current Taxation	184	578	113
Prior Year Adjustment - Current Taxation	–	–	148
Deferred Taxation	(56)	(291)	219
Prior Year Adjustment - Deferred Taxation	–	–	(129)
Taxation Expense	**128**	**287**	**351**

5. SUBSIDIARIES

Details of the Group's 100% owned subsidiaries at 31 December 2023 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

MetOcean Solutions Limited was amalgamated with Meteorological Service of New Zealand (Parent) on 1 July 2018.

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 and the Representative Office however the Asian business operations remain the same.

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

	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Net Surplus for the Period	**291**	**703**	**1,327**
Non Cash/Non-Operating Items			
Depreciation and Amortisation	4,295	3,958	7,901
Loss on Foreign Exchange Contracts	30	41	91
(Increase) in Deferred Tax	(57)	(293)	(4)
Impairment losses on PPE and Intangibles	–	–	197
Loss on Sale of Fixed Assets	–	–	23
Increase Restoration Provision	–	–	16
Less Restoration Provision unwound	–	–	(49)
Other Non Cash Operating Items	140	(242)	78
Increase in Non-Cash Items	**4,408**	**3,464**	**8,253**
Movements in Working Capital			
(Increase)/Decrease in Receivables	(219)	414	(1,285)
(Decrease)/Increase in Accounts Payable and Accruals	(1,311)	(1,228)	795
Decrease in Income Taxation Receivable	158	524	74
(Increase) in Inventories	(213)	(186)	(298)
Total Movement in Working Capital	**(1,585)**	**(476)**	**(714)**
Net Cash Generated by Operating Activities	**3,114**	**3,691**	**8,866**

Notes to the Financial Statements
for the six months ended 31 December 2023 (cont.)

7. RELATED PARTY TRANSACTIONS

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 Leadership Team.

	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Total Executive Leadership Team (short-term benefits)*	1,462	1,183	1,505
Directors' Remuneration	97	94	189
	1,559	**1,277**	**1,694**

Compensation of the Chief Executive Officer

	6 Mths 31 Dec 23 (unaudited) $000s	6 Mths 31 Dec 22 (unaudited) $000s	12 Mths 30 Jun 23 (audited) $000s
Total Chief Executive Officer (CEO)	213	196	415
Performance Pay Paid Relating to Prior Year**	91	106	106
Kiwisaver / Superannuation Contributions	9	9	15
	313	**311**	**536**

*Short-term benefits includes remuneration and bonus payments approved and paid after balance date, and therefore reported here on a "cash paid" basis.

**Bonus payments are approved and paid after balance date and are therefore reported here on a "cash paid" basis.

Key Performance Indicators
Financial

	Statement of Corporate Intent Target (Full Year)	Actual 6 Months to 31 December 2023
1. Shareholder Returns		
Total Shareholder Return	0.0%	0.0%
Dividend Yield	0.0%	0.0%
Dividend Payout	0.0%	0.0%
Return on Equity (ROE)	7.5%	2.4%*
Return on Funds Employed	9.9%	4.1%*
2. Profitability/Efficiency		
NPAT ($000s)	1,870	291
EBIT ($000s)	3,500	729
EBITDA ($000s)	11,241	5,024
Asset Turnover	1.42	1.42*
Operating Margin (EBITDA)	15.9%	14.8%
Operating Margin (EBIT)	5.0%	2.1%
3. Leverage/Solvency		
Gearing Ratio (net)	10.9%	24.8%
Interest Cover	17.29	13.17
Solvency	1.29	1.12
Debt Coverage Ratio	3.00	7.89
4. Bank Covenants		
Interest Cover ratio**(>3)	22.48	16.54
Total Leverage ratio (<3)	0.93	2.29
5. Growth/Investment		
Revenue Growth	7.2%	4.4%
EBITDAF Growth	16.9%	-2.3%
NPAT Growth	68.1%	-58.4%
Capital Renewal	1.11	1.06

*Annualised

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

NOTES ON THE FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description	Calculation
1. Shareholder Returns		
Total Shareholder Return	Performance from an investor perspective – dividends and investment growth.	(Commercial value$_{end}$ less Commercial value$_{beg}$ plus dividends paid less equity injected)/ Commercial value$_{beg}$.
Dividend Yield	The cash return to the shareholder.	Dividends paid/Average commercial value.
Dividend Payout	Proportion of net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder.	Dividends paid/Net cash flow from operating activities.
Return on Equity (ROE)	How much profit a company generates with the funds the shareholder has invested in the Company.	Net profit after tax/Average equity.
Return on Funds Employed (ROFE)		Ratio of EBIT to average debt plus equity over the period.
2. Profitability/Efficiency		
Asset Turnover	The amount of revenue generated for every dollar worth of assets.	Revenue/Assets.
Operating Margin (EBITDA)	The profitability of the Company per dollar of revenue.	EBITDA/Revenue.
Operating Margin (EBIT)	The profitability of the Company per dollar of revenue.	EBIT/Revenue.
3. Leverage/Solvency		
Gearing Ratio (net)	Measure of financial leverage – the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity.	Net debt/Net debt plus equity.
Interest Cover	The number of times that earnings can cover interest.	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. Bank Covenants		
Interest Cover Ratio	The number of times that earnings can cover interest.	EBITDA/Interest paid (less leases)
Total Leverage Ratio	Defined as the total indebtedness.	Debt/EBITDA
5. Growth/Investment		
Revenue Growth	Measure of whether the Company is growing revenue.	% change in revenue.
EBITDA Growth	Measure of whether the Company is growing earnings.	% change in EBITDA.
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 (excludes lease depreciation & interest exp).

Key Performance Indicators
Non-Financial

	Statement of Corporate Intent Target (Full Year)	Actual 31 December 2023
1. Our Scientific Expertise		
Number of employees who are WMO-qualified meteorologists, or scientists with a postgraduate qualification in meteorology, oceanography, or a related discipline	>120	133
% uptime of weather observing systems (combined radar and Automated Weather Stations) excluding planned maintenance windows to upgrade radars	>99%	99.2%
Critical public safety measure of severe weather warning accuracy*:		
POD Heavy Rain (12 months mean)	> 90%	92%
POD Severe Gales (24 months mean)	> 90%	96%
POD Heavy Snow (24 months mean)	> 90%	82%
FAR Heavy Rain (12 months mean)	< 15%	11%
FAR Severe Gales (24 months mean)	< 25%	10%
FAR Heavy Snow (24 months mean)	< 25%	25%
2. Our Digital Infrastructure		
Average number of monthly unique browsers across metservice.com and MetService mobile app	1.4 million	3.05 million
Increased Followers on our main social media channels**	7%	3%
Total digital maturity self-assessment on a benchmarked maturity scale of 1 to 5	3.0	2.8
3. Our Relationships		
Number of effective and managed relationships with iwi, Māori businesses or community groups	6	16
Increase in brand recognition through percentage of respondents in annual survey having a 'good' understanding of what MetService does	55%	55%
Number of Regional Councils with access to a flood modelling service that is integrated with the Severe Weather Warning System rainfall forecasts***	2	0
Number of employees who have contributed to WMO or ICAO constituent bodies (e.g., technical commissions, working groups and expert panels)	15	17
4. Our People		
Internal Māori capability is increased including in leadership roles measured by the percentage of learning completions and pass rates	75%	In planning
MetService's overall engagement score moves into the top 25% (reflected by the staff engagement survey)****	60%	60%
5. Our Finances		
Cash flow from Operating Activities	9,872	3,114 (YTD)
EBIT ($000)	3,500	729 (YTD)
6. Our Environment		
Internal environment impact: overall reduction in MetService carbon footprint	21% for 2025 42% for 2030	33% (June 2023)

NOTES ON THE NON-FINANCIAL KEY PERFORMANCE INDICATORS

Measure

Probability of Detection (POD)
The ratio of correctly forecast severe weather events to actual events observed.

False Alarm Ratio (FAR)
The ratio of forecast severe weather events that did not 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.

Uptime of weather observing systems
The average of (a) percentage of time that radar data is available within MetService's Wellington Head Office, averaged over all radar sites; and (b) the percentage of time that Automated Weather Station data is available within MetService's Wellington Head Office, averaged over all Automated Weather Station sites.

Effective relationships with iwi, Māori businesses or community groups
Effective should reflect authenticity, collaboration, longevity, and MetService's Treaty responsibilities.

* POD heavy snow warning statistics continue to be sensitive due to a very small sample size of warnings issued across the last two years.

**The number of followers on our main social media channels is expected to increase throughout the year.

***Regional Councils with access to a flood modelling service performance indicator has been suspended until the government Hau Nuku review is completed.

**** 2023/24 progress based on Pulse Survey. Next full survey undertaken in May/June.

Company Directory

DIRECTORS

Paula Jackson (Chair)
Dr Te Tiwha Brendon Puketapu (Deputy Chair)
Dr Alison Watters (Chair, People, Culture and Remuneration Committee)
Dave Moskovitz
Martin Matthews (Chair, Audit and Risk Assurance Committee)
Stephen Willis
Victoria Spackman

EXECUTIVE

Chief Executive
Stephen Hunt

Chief of Science & Innovation
Norm Henry

Chief Financial Officer
Keith Hilligan

Chief of Customer & Commercial
Rob Harrison

Chief Digital Officer
Colin Brown (started 2 October 2023)
Sean Davidson (departed 18 August 2023)

Chief People Officer
Megan Curry (started 31 July 2023)

Pou Ārahi
Francene Wineti (departed 3 November 2023)

BANKER

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

AUDITOR

Sarah Turner, 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

HEAD OFFICE

Meteorological Service of New Zealand Ltd
L2 / 110 Featherston Street
PO Box 722
Wellington 6140
New Zealand
Telephone +64 4 4700 700
www.metservice.com
www.metraweather.com

REGISTERED OFFICES

Europe
MetraWeather (UK) Ltd
40 Caversham Road
Reading RG1 7BT
United Kingdom
Telephone +44 1183 805063

Australia
MetraWeather (Australia) Pty Ltd
Suite 25 Level 8, 100 Walker Street
PO Box 413 St Leonards
Sydney NSW 2060
Australia
Telephone +61 2 9449 9771

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

Design Nicola Cornish, MetService
This report is also available online at
metservice.com

Corporate Office
110 Featherston Street, Wellington 6011
PO Box 722, Wellington 6140
New Zealand
Phone +64 4 4700 700
metservice.com metraweather.com metocean.co.nz