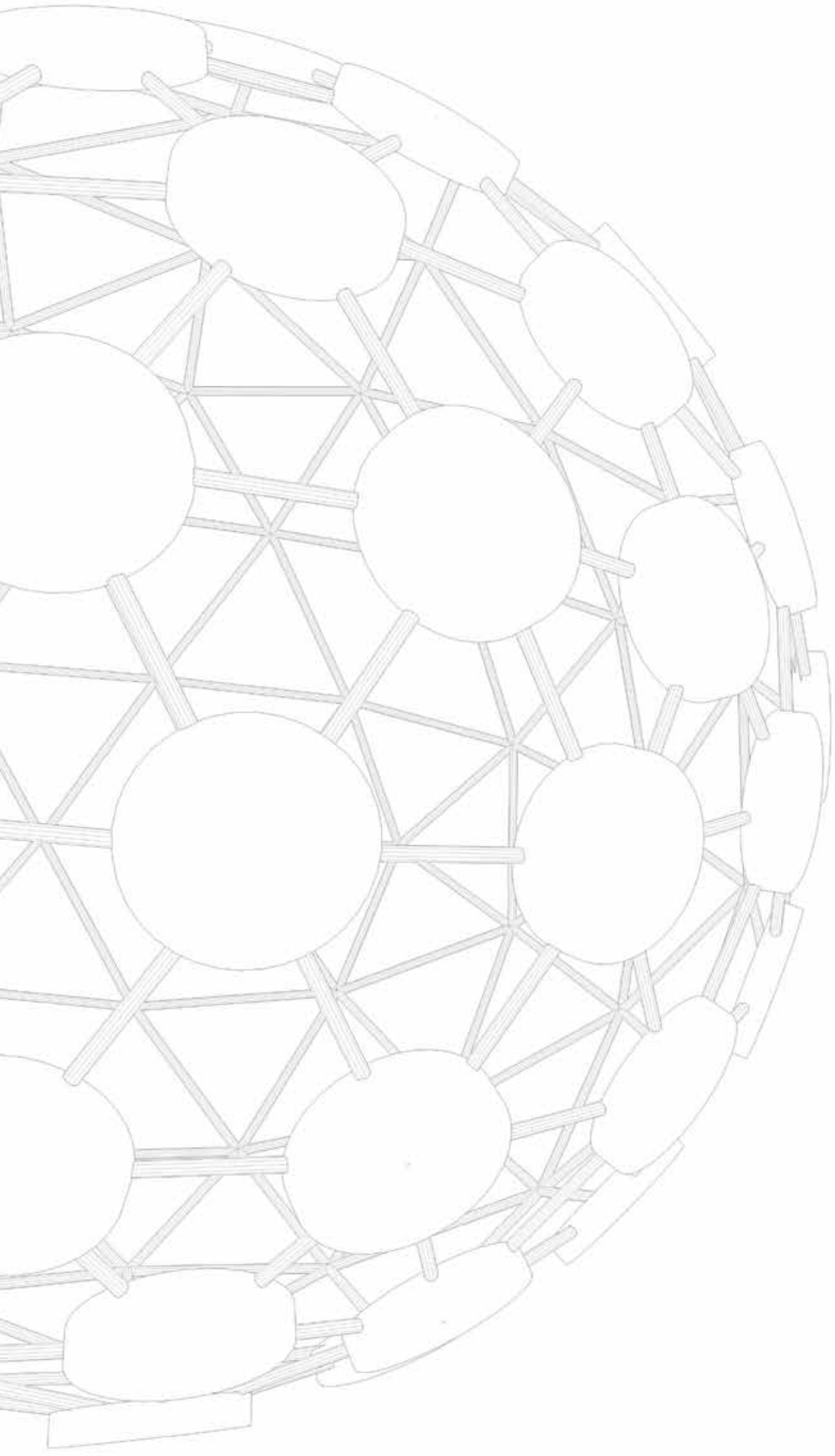
Met Office

Annual Report and Accounts
2014/15



Met Office Annual Report and Accounts 2014/15

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Annual Report and Accounts 2014/15

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The year in review

Introduction from the Chairman

Greg Clarke commends the Met Office's weather and climate forecasts.

As the UK's national meteorological service, the Met Office fulfils an essential role in safeguarding lives and property. The quality and reliability of Met Office weather and climate forecasts is recognised all over the world. As the world increasingly faces the impacts of climate change, the Met Office's research into its causes and effects is perhaps more important than ever.

The high spot of the year for me was the go-ahead we received from government for the purchase and installation of our new high-performance computer (HPC). Combined with advances in modelling, this will give an enormous lift not just to the quality of our science but also to the efficient delivery of our services. The HPC will enable us to move seamlessly from increasingly accurate local weather forecasts to predictions of how the climate will change over time, all done at higher speed and greater resolution than ever before. Our procurement exercise for the HPC was short-listed for the Government Opportunities Awards – an indication of its value for money.

All government services are under pressure to maximise returns to the taxpayer. In the last year, the Met Office played its part by operating and delivering efficiently. The result is great value for money, at home and abroad.

The year also saw encouraging progress in the development and delivery of our commercial services. This is a highly competitive market in which we have to fight for every bit of business we win.

> "In the last year, the Met Office played its part by operating and delivering efficiently."

Through these services, the Met Office delivers many advantages and economic benefits for the nation. Let me touch on three examples that illustrate these benefits. All three make use of our increased capacity for detailed local forecasting.

In July 2014 we launched DemandMet™, an innovative forecasting tool for retailers that will help them stock up on seasonal items and avoid wastage when bad weather discourages shopping. The weather affects sales of a wide range of products – from strawberries in the first days of summer to hot chocolate during the darkening autumn months and birdseed when winter grips.

In February this year we won a five-year contract to provide a team of on-site meteorologists year-round at Heathrow, the UK's busiest airport. The aim here is to minimise the disruption caused by bad weather. Our work will deliver major operational benefits to the airport itself, as well as making journeys more enjoyable for passengers.

Recently we launched a new service of bespoke weather reports for the construction industry. No longer reliant on an area forecast from the nearest weather station, contractors can now receive targeted forecasts for specific building sites that will help them plan their work to avoid costly down time.

These and other products and services enable thousands of people in the UK to do their jobs better. They also support senior decision makers in both government and the private sector who face critical decisions on investment priorities.

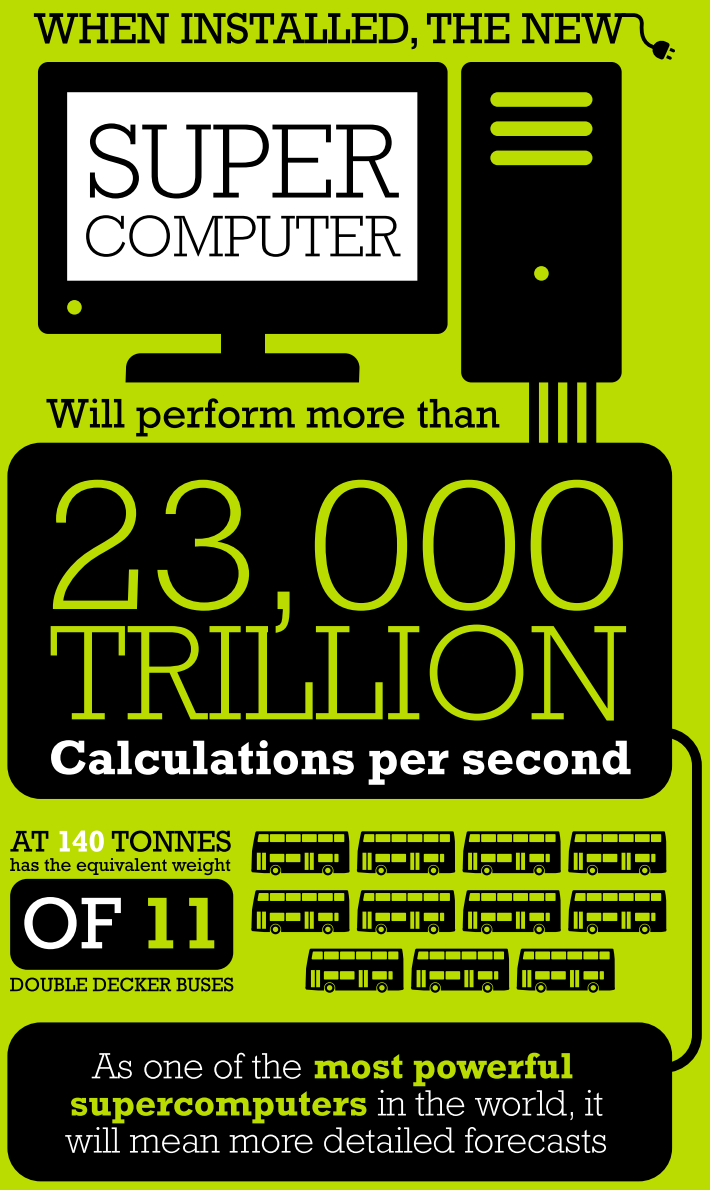
Benefits provided by the Met Office don't stop in the UK. Last year, the Board and I took a strategic decision to expand and deepen the Met Office's commitments on the global stage. These commitments are pursued through a growing array of partnerships, particularly in developing countries. Through these partnerships, many of them long-term, the UK takes its place in

a global community of nations facing similar challenges and sharing the tasks involved in reaching solutions. Tackling these challenges together creates further opportunities for efficient operations.

Take our recently launched work in Germany, the country that leads Europe's advance into renewable energy. The Met Office will join German industry and government partners in deploying tools and software already developed and used in the UK renewables sector. The tools will tackle some of the major problems faced in the German market place, including turbine construction and siting methods, high capital and operating costs, and strategic responses to seasonal forecasts. The aim is to maximise the efficiency of Germany's renewables programme – and hence its impact on carbon emissions. But our work in Germany will yield more than this: experiences here will feed back into the UK's renewables sector, delivering benefits at home.

One man strongly associated with the Met Office's achievements in recent years is John Hirst CBE, the outgoing Chief Executive, who I would like to thank for his outstanding input and insight. Now, Rob Varley, formerly our Operations and Services Director, takes the lead as the new Chief Executive. Rob is an outstanding director, winner of the prestigious Public Services Director of the Year award in 2012 for his services to meteorology.

He will, I am confident, ensure that the Met Office will continue to deliver its two core responsibilities — weather forecasting and climate change research. But Rob will do much more than this: he is also a man of vision, driven by the conviction that there is far more potential to unlock at the Met Office. Under his leadership, exciting times lie ahead.



Chief Executive's overview

The Met Office is a national asset contributing at home and abroad, says **Rob Varley**

It has been a high-achieving year when we have delivered across the board on all our Business Performance Measures – from forecast accuracy, customer commitments and revenue generation, to public reach of our all-important warnings. We have achieved this while also innovating in service provision, delivering services beyond weather and climate in the UK and through our growing international work.

Last October saw the launch of the Met Office Space Weather Operations Centre. Established in partnership with academia in the UK and the USA's National Oceanic and Atmospheric Administration (NOAA), the centre gives warnings of the risks to our economy and infrastructure that come from the sun – solar flares, geomagnetic storms and coronal mass ejections (CMEs). In March this year a big CME was predicted and warnings were issued to the relevant authorities – including the aviation community, utility companies and satellite providers. The new centre benefits the UK which, like many other countries, has an increasing dependence on technology. It is a good example of how we are diversifying beyond weather to protect against a wide range of environmental risks.

The shared nature of these environmental risks means countries are pooling resources to tackle them. An example of this is our collaboration with China, through the Climate Science for Services Partnership (CSSP). Within a year we have deployed 20 Met Office scientists to this programme, a commitment matched by the Chinese, so that together we have quickly achieved the critical mass needed to tackle the many challenges posed by East Asia's changing climate. When I visited in February this year, our Chinese counterparts were delighted with the progress made, as are we. We have also conducted work in Singapore, the Philippines and Kenya, and recently signed an agreement to collaborate with the Asian Development Bank. This is all part of our climate services work, which contributes to the development, sustainability and resilience agenda of the UK's Department for International Development.

> "The UK's continued leadership and investment in science and technology is another reason for our demand internationally."

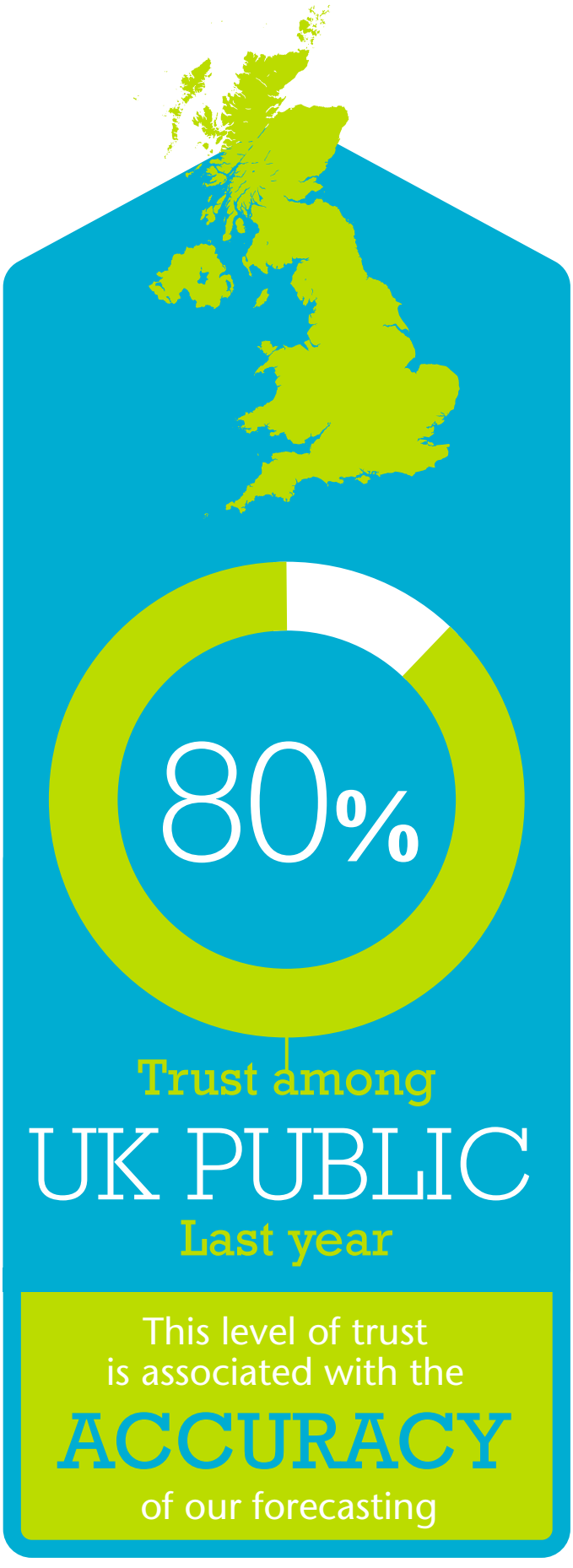
Being in demand internationally is largely due to the trust placed in us – which starts at home. Trust among the UK public was around 80% last year, well past our target of 76%. This high level of trust' is associated with the accuracy of our forecasting, which continues to improve. Another encouraging trend is that people and institutions are increasingly taking pre-emptive action in response to weather warnings, so helping to minimise disruption, damage and keep people safe. This maximises the value of what we do for the economy and society. It also demonstrates how we are taking on a broader set of responsibilities and extending our weather forecasting capability.

The UK's continued leadership and investment in science and technology is another reason why we are in demand internationally. The business case for our new high-performance computer, approved last year, is based not only on improved forecasting but also on the wider opportunity to keep the UK at the forefront of global climate and weather science and modelling. This will attract new partners, benefiting organisations in the UK and overseas. It also contributes to economic growth, by increasing demand for services and positioning the UK as an attractive place to invest.

We are also contributing to future science talent in the UK through our Science, Technology, Engineering and Maths (STEM) outreach programme, including a series of science camps that introduces youngsters to our work. We aim to inspire the next generation, so that perhaps, one day, they will apply for a job with us or with one of our partners.

The idea for science camps came, typically, from our staff. Which brings me to our most important asset: the gifted, dedicated people who bring our science and services to life. Many of them come here early in their working lives and build long, successful careers with us, as I did myself. Whether they are based in Exeter or Aberdeen, at one of our other frontline locations, or embedded with our customers at Royal Air Force and Army Air Corps stations across the UK and overseas, they get huge job satisfaction from being part of an organisation that makes a difference to society in so many ways. Our annual staff survey shows staff engagement is among the highest in the civil service, with particularly high scores for the staff's attitude to their work and understanding of how they contribute to our objectives.

Excellence of our staff was reflected in the awards we won in 2014. Too numerous to list here, these include three for customer services and three for our sustainability work. I am grateful to all our staff, whose diverse talents make the Met Office what it is – a trusted national capability making an outstanding, often highly inventive, contribution to many different fields, in the UK and around the world.



Chief Scientist's statement

Forewarned is forearmed, says Professor Dame **Julia Slingo**

All over the world, people are more aware than ever of risks posed by extreme weather. We are increasingly asked to predict not only weather but its implications for 'life and limb' – down to specific risks at specific locations. This is part of our drive to take our world-class science through to services that add real social and economic value.

Understanding and forecasting weather-related risks certainly kept us busy in 2014. A succession of violent winter storms culminated in the severing of the coastal railway line by waves at Dawlish in Devon. We explained where the storms originated and how they were linked to exceptionally cold weather across North America and even further afield to weather in the tropical West Pacific. We also described how climate change may be increasing risks of extreme weather and severe flooding. New research using our long-term climate records has shown that over the past century 45% of all the wet records and 67% of all the hot records have occurred since 2000.

Many other parts of the world were also affected by severe weather in 2014 and this tends to hit people in developing countries particularly hard. We help them manage their risks by supporting their weather forecasting, a role we take very seriously.

For instance, on 6 December Typhoon Hagupit made landfall in the Philippines, then tracked across the country, passing south of the capital Manila. The second most intense tropical cyclone of 2014, Hagupit brought high winds, heavy rains and destruction. As the storm formed over the Pacific, we worked with the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) to predict its track and assess its intensity using the full range of global to local forecasting models at our disposal. Our hourly rainfall and wind speed estimates were used by the Philippine authorities to prepare their responses and communicate with the public. This support was closely linked to our work a year earlier on Typhoon Haiyan, one of the most severe tropical cyclones ever recorded, but this time we had an improved understanding of the exposure of local populations and so we were able to help PAGASA communicate the risks so much better.

A key factor in improving risk-based forecasts is more accurate modelling of weather. This year has seen a step-change in model performance, largely due to introducing a new set of equations to the core of our Unified Model. Known as Even Newer Dynamics for General Atmospheric Modelling of the Environment (ENDGame), these complex equations – developed in partnership with the University of Exeter – enable us to produce more detailed forecasts of weather features such as hurricanes, mid-latitude fronts and mountain waves. Very importantly, ENDGame enables our model to run more efficiently, so that we can get even more out of our supercomputer.

In 2014 the UK's Department for Business, Innovation & Skills (BIS) asked us to be a delivery partner for the Newton Fund, which aims to promote economic development and human wellbeing in developing countries through partnerships in science and innovation. We have commissioned the Climate Science for Services Partnership (CSSP), a collaboration with the Chinese Meteorological Administration and the Institute of Atmospheric Physics of the Chinese Academy of Sciences, and engaging scientists across UK academia. The aim is to strengthen the science underpinning China's

> "Accurate forecasts, tailored to local conditions and needs, can save lives and livelihoods."

climate services to different sectors by harnessing Met Office and UK academia expertise.

China's weather is affected by climate change and natural variability and, as in the UK, it is difficult to separate the two. Past records show that there have been large north-south shifts in rainfall that have implications for water security, energy provision and agriculture. The question is will these continue and what will the additional factor of climate change mean for China? At the same time there is increasing evidence that extreme heavy rainfall is increasing as the world warms, leading to severe impacts such as flash flooding and landslides. CSSP-China will use the Met Office Unified Model to explore future variations in rainfall patterns and potential increases in extreme weather to help China anticipate the associated economic and social risks.

Closer to home, demand for climate resources and information in Europe continues to grow – giving us further opportunities to position as a leading deliverer of climate services underpinned by expert climate science. One such opportunity is the Copernicus Climate Change Service (CCCS), a Europe-wide project that will draw extensively on Met Office expertise in climate prediction and its applications.

In March 2015 we travelled to Sendai in Japan to take part in the 3rd World Conference on Disaster Risk Reduction. The purpose of the meeting was to review progress made under the Hyogo Framework for Action, a 10-year UN-endorsed plan to reduce disaster losses due to natural hazards, and to plan a strategy for the next decade. With our seamless approach to weather and climate risk we have a lot to offer that can help mitigate the impacts of severe weather today, climate extremes in the coming months, and climate change in the next few decades.

I believe the most important message to emerge this year is that forewarned is forearmed: accurate forecasts, tailored to local conditions and needs, can save lives and livelihoods, protect critical infrastructure and contribute to prosperity and wellbeing. That's our business at the Met Office; it's what drives our science and shapes our future science strategy.

Strategic report

About us

As a world leader in providing weather and climate services, we employ more than 1,900 people at 60 locations throughout the world. We are a Trading Fund within the Department for Business Innovation & Skills, operating under set targets and returning a dividend.

Recognised as one of the world's most accurate forecasters, we use more than 10 million weather observations, an advanced atmospheric model and a high performance supercomputer to create 3,000 tailored forecasts and briefings every day. These are delivered to a huge range of customers from the Government, to businesses, the general public, armed forces, and other organisations.

Trusted expertise

People trust our forecasts to plan, prepare and make the most of their free time. Many people are perhaps most familiar with us as the people behind weather forecasts on TV, online and on phones.

We are also responsible for the National Severe Weather Warning Service, which aims to give advance warning of extreme weather to the public, businesses, emergency services and Government.

Our range of services for the Government includes environmental monitoring advice on the predicted spread of diseases such as bluetongue, toxic or hazardous fumes, or even volcanic ash. We also help UK armed forces as they plan missions around the weather and safeguard critical national infrastructure and technology with our space weather forecasts.

By supporting businesses, agencies and governments in making short and long-term decisions we help the UK economy prosper. For example, we advise energy and retail sectors of weather that might affect consumer trends. We also help airlines reduce costs, and run safely and on schedule.

An international operation

As a foremost weather and climate service, we play a key role on the international stage by providing vital services, advancing global understanding through research and being an important participant in projects and organisations.

We are at the forefront of climate change research, playing a key role in helping determine the worldwide response to climate change. Our involvement in global collaborative projects includes advising the Intergovernmental Panel on Climate Change (IPCC) and our tailored advice and services help decision-makers and businesses across public and private sectors to manage risks and opportunities associated with a changing climate.

Our history

The Met Office has been a pioneer for over 150 years. Our reputation for scientific excellence has been built through the understanding of our scientists and our close links with UK and international academia.

Our internationally-renowned organisation began as a small Meteorological Department under the Board of Trade. In 1920 we moved to the Air Ministry, which became part of the Ministry of Defence in 1964. Our status was then changed to that of an Executive Agency in 1990 and a Government Trading Fund in 1996 under Statutory Instrument SI 1996/774. We were transferred to BIS in 2011.

Around the world, around the clock, together with our partners, we are working hard to make accurate weather and climate advice available to all so the world is a safer and more resilient place.

“OUR WORLD CLASS SCIENCE CONTINUALLY IMPROVES OUR **SCIENTIFIC MODELS** WHICH HAS ENABLED US TO MEET **ALL** OUR FORECAST ACCURACY MEASURES”

Management commentary on business performance

To encourage employee engagement in driving the performance of the Met Office, our Business Performance Measures (BPMs) are linked to corporate performance-related pay from which all employees can benefit. Progress against these measures is communicated to all staff through monthly briefings. Appropriate action plans are formed where additional action is required to improve performance. Collective efforts of individuals and teams have ensured that the Met Office has had an excellent year in terms of business performance, achieving all of the sub-measures that make up our overall targets. We measure our performance in a variety of ways and each Business Performance Measure is detailed in the table opposite.

By achieving all our forecast accuracy measures we have demonstrated that our world-class science continually improves our scientific models and that this scientific excellence is pulled through directly into services. In turn, by providing reliable and accurate forecasts, we enable the public and our commercial customers to act on our advice and achieve their goals.

Exceeding our customer expectations in terms of service delivery is critical to our success. As such, we have a range of measures around delivering our services and outputs to the standard required, all of which were met in 2014/15. We need to ensure that our core forecasts and warnings are reaching a wide audience and that we raise awareness and build trust. We measure our success in this area against targets on growing our digital reach and our following on social media. Both of these areas have shown significant increase this year with social media followers up 38% compared to the 2013/14 Financial Year (FY) and our apps and website have continued to be accessed in increasing numbers as an authoritative source of weather information.

Stretching financial targets were set by the Met Office Board to drive us towards growth in a very difficult economic environment. We have exceeded both our total revenue and profit targets of £216.6 million and £12.3 million respectively, and achieving the more focused revenue targets related to growing business in key markets of £39 million. Further details are included in the Financial Review on page 17.

The Met Office is recognised for sustainability excellence and we are committed to delivering our objectives in a sustainable way by continuing to set challenging targets. All elements in this BPM have been met. Again, we have achieved UK Government-leading levels of recycling and increased our presence in the community through Science, Technology, Engineering and Maths (STEM) events, work experience placements, Met Office Science Camps and visits and talks in local schools and colleges and this year have been encouraging our suppliers to invoice us electronically, providing mutual benefits in efficiency for both timely payment and receipt of invoices.

BPM	Measures	Met	Improvement on 2013/14
Forecast accuracy	**Global position** - at least second	YES	NEW
	Model output - UK numerical weather prediction value added 3.5%	YES	NEW
	Public forecast targets - achieve seven out of nine of the Public Weather forecast targets focusing on accuracy in the one to five day period	YES	YES
	Customer targets - achieve two out of three customer specific forecast accuracy targets, including root mean square error, mean absolute error and service quality index scores	YES	SAME
Growth	Total Met Office revenue (£216.6m)	YES	YES
	Total Met Office profit (£12.3m)	YES	YES
	Business growth revenue (revenue) (£39m)	YES	NEW
Reach and engagement	Achieve two out of three of the following targets:	YES	
	1. **Digital reach** 1a - Increase website and APPs sessions by 3% from FY2013/14 1b - Increase social media subscribers by 30% from FY2013/14	YES	NEW
	2 - Achieve at least 76% in three out of four quarterly Trust Tracker surveys	YES	NEW
	3 - Reach of National Severe Weather Warnings achieve 70% positive responses in each survey	YES	NEW
Customer and service delivery	Deliver two out of three of the following targets:	YES	
	Deliver the outputs and performance indicators as defined by our customers in-service agreements for four customers: **Public Weather Service (PWS)** **Civil Aviation Authority (CAA)** **Defence** **Met Office Hadley Centre Climate Programme**	YES	SAME
	Deliver a range of products for our commercial and government customers by the target time (On Time) and as described (In Full). Overall target will be a score of 90% over 12 months	YES	YES
	Following analysis of our Customer Attitude Survey 2013, three out of three remaining actions will be completed within FY	YES	SAME
Efficiency	Meet HM Treasury requirements by achieving a Return on Capital Employed (ROCE) of 5.2%	YES	YES
Sustainability excellence	Deliver three out of four of the following targets:	YES	
	Increase recycling rate to 80% or more	YES	YES
	Offer 70 work experience placements	YES	YES
	Continue to hold and develop Science Camps (x4)	YES	SAME
	Achieve 70% of invoices received electronically	YES	NEW

Revenue from trading activities

Total revenue (£)

220.8m

Total revenue 2013/14 (£)

208.1m

Operating profit (£)

12.1m

Operating profit 2013/14 (£)

11.2m

As a result of this strong revenue performance, the Met Office delivered its key financial **BUSINESS PERFORMANCE MEASURES (BPMs)**

Financial review

Overall

The Met Office has enjoyed a successful year with a 6.1% growth in revenue to £220.8m (2013/14, £208.1m) driven by increases in Public Weather Service (PWS) and success in securing new funding from the Newton Fund for delivery of the Climate Science for Service Partnership.

This increase in revenue had a positive impact on Operating profit which increased by 8% to £12.1m (2013/14, £11.2m). As a result of this strong revenue performance, the Met Office delivered its key Financial Business Performance Measures (BPMs).

	2014/15	2013/14	Variance to 2013/14
BPM 2 - Increasing profitable revenue	**£m**	**£m**	**£m**
Revenue per statement of comprehensive income	220.8	208.1	12.7
Add grants credited to operating costs	0.0	0.4	(0.4)
Total Met Office revenue - target £216.6m	220.8	208.5	12.3
Profit per statement of comprehensive income	12.1	11.2	0.9
Add back expenditure on external reviews	0.4	0	0.4
Total Met Office profit - target £12.3m	12.5	11.2	1.3
Business growth revenue - target £39.0m	**39.5**	**37.9**	**1.6**
BPM 5 - Efficiency			
ROCE per statement of comprehensive income	5.1%	4.9%	0.2%
Adjustment for expenditure on external reviews	0.2%	-	0.2%
Target 5.2% in year	5.3%	4.9%	0.4%

For BPM purposes, Both the total Met Office Profit and Return on Capital Employed results are stated after adjusting for costs incurred on the Met Office General Review.

This review of the benefits generated by the Met Office was commissioned by our owners, BIS, but funded by the Met Office.

	2014/15	2013/14	Variance to 2013/14
	£m	**£m**	**£m**
Revenue	220.8	208.1	12.7
Operating costs	(208.7)	(196.9)	(11.8)
Operating profit	12.1	11.2	0.9
Dividends	(8.5)	(9.5)	1.0
Total non-current assets	204.2	197.4	6.8
Net assets at 31 March	229.2	225.3	3.9

IN 2014 WE LAUNCHED

DemandMet™

AN

INNOVATIVE FORECASTING TOOL

Developed to help retailers forecast seasonal demand

SUMMER

FIRST HOT WEEKEND =

83%
Increase in strawberry sales

10°C RISE ON A SUMMER WEEKEND =

25%
Reduction in green vegetable sales

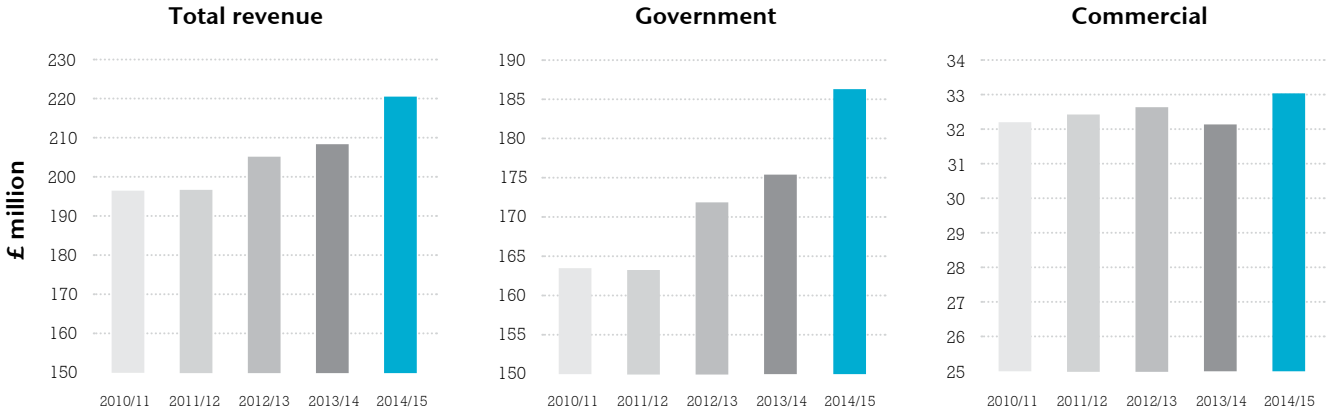
WINTER

COLD WEATHER =

Massive increase in hot chocolate sales

EXTREME WEEKEND CONDITIONS =

22%
Reduction in shopping trips



Revenue

Revenue has increased by £12.7m to £220.8m (2013/14 £208.1m).

Government revenue has increased by £11.9m. A large element of this (£7m) is the additional funding received for Public Weather Service management of the UK element of the European Polar Satellite programme. Previously this had been directly funded by BIS, but was transferred to Met Office control at the end of the last financial year.

The Met Office was also successful in securing funding from the Newton Fund for delivery of the Climate Science for Service Partnership: China (China CSSP) programme. Revenue of £3.1m for this programme was recognised in the year.

Finally, this was the first full year of operational funding for the Met Office's space weather service. This generated £2.2m of revenue, an increase of £1.4m over last year.

Commercial revenue returned to growth having fallen slightly in the previous year. Revenue increased £0.8m largely in the regulated aviation and digital media sectors. Additionally there was continued growth in international development, reflecting the focus on extending the reach of Met Office services into international markets.

Operating costs

Operating profit increased slightly from £11.2m to £12.1m.

Cost increases have been largely driven by the additional services provided to government, the largest of which was depreciation on the European Polar Satellite programme (£7m). Additionally increases in staff costs and services were driven by an increase in staff and academic partner costs respectively to deliver the CSSP programme.

Dividends

Total dividends payable to our owner, the Department for Business, Innovation & Skills (BIS) were £8.5m (2013/14 £9.5m).

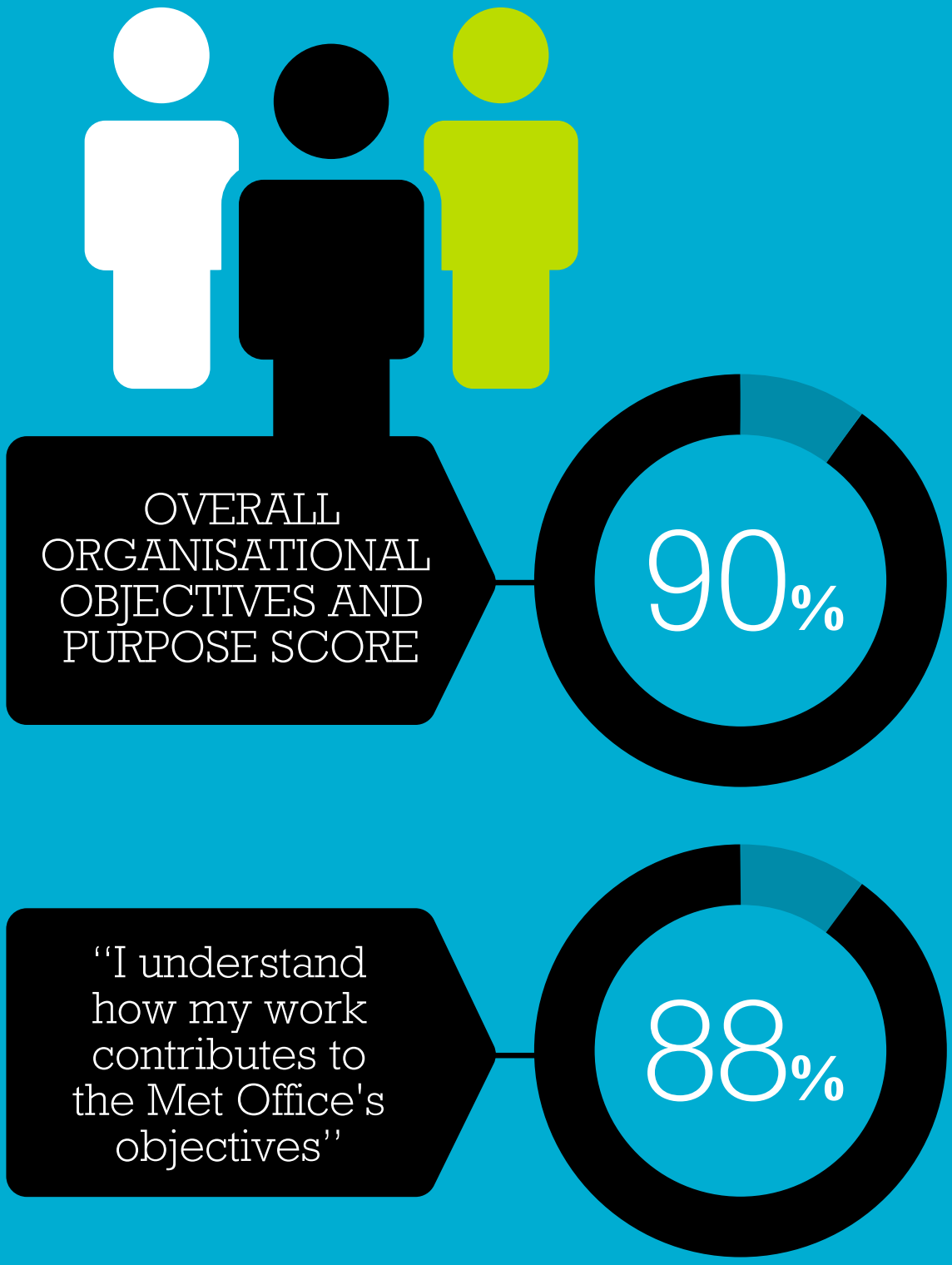
Cash flows and liquidity

Cash balances totalled £56.9m as at 31 March 2015 compared to £71.8m as at 31 March 2014. The decrease reflects increasing capital investments, in particular for satellite programmes and the new high perfomance computer.

Basis of preparation

These financial statements have been prepared in compliance with an Accounts Direction dated 18 December 2014 and in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

These statements also comply with the principles laid out in the 2014/15 Government Financial Reporting Manual (FReM) issued by HM Treasury, including additional guidance on the treatment of capital grants issued on the 20 February 2015.


OVERALL ORGANISATIONAL OBJECTIVES AND PURPOSE SCORE
90%
"I understand how my work contributes to the Met Office's objectives"
88%

Our people

We want to be recognised as one of the best employers so we measure how staff feel about working here through an annual survey of employees' attitudes. Latest results show employee engagement has continued to increase and remains significantly above a benchmark set by other high-performing civil service employers — specifically, an engagement index of 69%, which is a small increase on 2014 and 5% higher than the top-rank benchmark.

Percentage indices of what we believe are our key strengths, like the extent to which people are interested in their work, their understanding of why it matters, and the extent to which people are trusted to get on with their jobs, are all in the 90s. And these results closely match our values as an employer.

We are accredited at bronze level as an Investor in People. This means we have been independently assessed as "effective at managing and developing our people to meet organisational ambitions". The Met Office values difference, openness, fairness and transparency. We do not discriminate on the grounds of gender, race, disability, age, religion, sexual orientation, family status, trade union membership, or any pretext.

This is also demonstrated through our participation in the Government's 'Two Ticks' scheme, meaning we are committed to good practice in employing disabled people.

We monitor diversity and have seen a steady improvement in the gender balance of our workforce in recent years, to its current ratio of 68% male to 32% female. At a senior level two of nine Executive Directors (22%) and two of six Non-executive Directors sitting on the Met Office Board (33%) are female. We are attracting more women at the entry level though and are working hard to identify any barriers to their progressing through professional role groups from trainees all the way up to Director level.

We provide staff with short training courses in diversity as part of their induction; convene a Diversity Council with representatives from across the organisation; and provide leadership and commitment by developing and monitoring Diversity Action Plans.

Our people work hard — no doubt about that. Whether they're forecasting the weather that millions of customers rely on, or working behind the scenes, Met Office people consistently deliver a world-class service, and we recognise and aim to reward their hard work. We are committed to looking after staff personally, as well as nurturing people's careers. We try to ensure that whatever people are doing at the Met Office, they're in a positive, safe, healthy environment - developing and working to their full potential.

Overall strategy for sustainability

At the Met Office, we are committed to meeting our objectives in a sustainable way. This means minimising our environmental impact, acting in a positive way in our dealings with our staff, customers and suppliers and maximising our contribution to the wider community.

Greenhouse Gas Emissions (GHG)		2011/12	2012/13	2013/14	2014/15
Non-financial indicators (tCO_2e)	Total gross emissions for scopes 1 & 2 (including white fleet)	19,219	24,307	18,170	**20,015**
	Gross emissions scope 3 - business travel (less white fleet)	1,296	1,502	1,424	**1,352**
Related energy consumption (MWh)	Electricity: non-renewable	25,074	33,200	53	**155**
	Electricity: renewable	2,668	4,427	38,590	**38,484**
	Electricity: GQCHP		6,640	-	**-**
	Self generated renewable (solar PV installation at HQ site)			241	**239**
	Natural gas:	20,329	4,355	4,092	**3,765**
	Gas oil: (diesel)	447	309	152	**294**
Financial indicators (£)	Expenditure on energy	2,859,040	3,370,772	3,534,270	**3,614,900**
	Expenditure on business (administrative) travel	1,960,954	2,157,084	2,378,609	**2,437,555**
	Expenditure on Carbon Reduction Commitment Energy Efficiency Scheme allowances		284,844	249,180	**317,522**

Energy

The energy consumed by our headquarters-based High Performance Supercomputer (HPC) accounts for most of our energy consumption and associated emissions. Our 2014/15 energy consumption is in line with the previous year and represents our steady state, demonstrating our success in containing our consumption. During 2014/15, we installed Phase 1a of our new HPC which will become operational in early 2015/16. The increase in our oil consumption against the previous year was due to an additional generator running during the Triad period which runs from November to February. The Triad runs allow the National Grid to meet maximum demand for electricity during this period.

The Government's Crown Commercial Services (CCS) Energy Team has agreed with the Energy Suppliers (EDF Energy and British Gas Business) on the CCS Electricity contract to provide a greater proportion of electricity from a "green" source (i.e. from renewable and low carbon sources - supported by appropriate Levy Exemption Certificates). As a result of this initiative, the Met Office pay a reduced Climate Change Levy (CCL). Our Solar PV installation at our HQ site has also contributed by reducing the amount of electricity required.

Travel

Our travel policy encourages staff to question whether their planned travel is essential. If the trip is necessary then staff are encouraged to use the most sustainable form of transport. We calculate the emissions from all of our business journeys and are continually looking at ways to minimise these. One success has been the roll out of video conferencing facilities to more of our frontline sites and, in 2014/15, we used these facilities on 2,544 occasions, an increase of 15% based on 2013/14 figures.

GHG emissions not included in our reporting

The Met Office utilises two aircraft for research and operational purposes but, as these aircraft are owned by other organisations, their GHG emissions do not fall within the scope of our reporting and therefore the associated GHG emissions have not been included in the table above.

The Facility for Airborne Atmospheric Measurements (FAAM) aircraft is owned by the Natural Environment Research Council (NERC) and used by the Met Office under a partnership agreement for scientific research often in collaboration with universities. Typically the Met Office flying time is on average 190 flight hours per year.

The Met Office Civil Contingencies Response (MOCCA) aircraft is used for operational response to volcanic ash events which impact on UK airspace. The aircraft is owned and operated by DO systems. For pilot currency the aircraft flies up to 10 hours per month, and the Met Office is able to use this flying time for our instrument testing and operator currency. In the event of a volcanic eruption then the number of flight hours would increase significantly dependent on the Civil Aviation Authority's requirement.

The fuel consumption of each aircraft depends on the flight manoeuvres undertaken, but within the constraints of its scientific mission the aircraft are operated so as to minimise unnecessary fuel burn.

2014/15 was a normal flying year for both aircraft resulting in estimated total GHG emissions of 1,090 tCO_2e.

Waste

In 2014/15, our total waste arising was 210 tonnes - a 29% increase on our 2013/14 figure of 163 tonnes. This increase was due to major refurbishment works including an IT Hall refresh. However, we keep our total waste to a minimum through initiatives such as selling old office furniture for reuse and ensuring that all our IT waste is either reused or recycled. We work closely with our suppliers and contractors to ensure that they remove all of their waste and packaging from our sites. At our headquarters contractors are briefed on our waste and recycling policies.

Waste			2011/12	2012/13	2013/14	2014/15
Non-financial indicators (t)	Total waste arising (t)		186.25	204.05	162.69	**210.32**
	Hazardous waste	Total	0.35	1.42	0.63	**1.23**
		Recycled and reused	146.95	165.25	132.17	**185.40**
		ICT waste recycled and reused (externally)	14.29	17.01	8.70	**19.52**
		Composted	18.76	20.25	14.79	**20.22**
		Incinerated/energy recovery	0	0	0	**0**
		Landfill	39.30	37.38	29.88	**24.92**
Financial Indicators (£)	**Total disposal cost**		**75,366**	**78,371**	**80,947**	**83,193**

Recycling

In 2010/11 we set ourselves a target to recycle 80% of our waste at our headquarters by 2014/15. We achieved this in 2012/13, recycling 80.99% of waste at our headquarters and in 2013/14 we achieved 81.25%. In 2014/15, we achieved 88.2%.

We currently recycle or reuse cardboard, metal, food, batteries, glass and all types of plastic. We also recycle or reuse our electrical/ICT waste. We have recycling champions who encourage their colleagues to be more proactive and use the wide range of recycling facilities.

Water			2011/12	2012/13	2013/14	2014/15
Non-Financial Indicators (m3)	Water consumption	Imported (potable)	42,549	48,530	39,531	**34,312**
		Abstracted (borehole)	13,626	9,179	17,640	**22,633**
		Grey water (harvested rainwater)	3,625	7,140	3,133	**318**
Financial Indicators (£)	**Water supply costs**		**77,210**	**95,985**	**81,081**	**70,426**

Finite resources (water)

We have metering at our headquarters to monitor and record our onsite water usage, most of which goes to cool our HPC. In 2014/15, we continued work to reduce our mains water consumption by mixing and treating water from our bore hole so that it can be used safely in our cooling systems. This has seen our mains water consumption drop by 15%, while we have increased recycled water usage by 88%, based on 2013/14 figures. This is due to water being re-captured from the cooling process and used to flush toilets. Our consequent 90% reduction in the use of grey water (harvested water) is due to this increased use of recycled water, which is of higher quality and would otherwise be discharged into the sewerage system.

Sustainable procurement

We continue to assess our performance against the Government Buying Standards, benchmarking our compliance against other government departments reporting on the Greening Government Commitments.

We have undertaken in-year updated assessments for providers of transport and information technology, as part of a rolling plan to review all commodities and have achieved 95% compliance across these two commodities.

We will be continuing our assessment work during 2015/16, with a target to achieve top five compliance ranking across all key commodities within the Greening Government Commitment reporting.

WORKING IN PARTNERSHIP WITH THE PHILIPPINES IS HELPING TO MITIGATE THE IMPACTS OF TROPICAL CYCLONES

Biodiversity action planning

We are proud to have retained the Wildlife Trusts' Biodiversity Benchmark Award for our headquarters site where our staff-led Biodiversity Working Group continues to work closely with colleagues in our Property Management team to protect and enhance biodiversity. Our ongoing work includes grassland management to benefit different butterfly species, construction of a "bee hotel" to attract solitary bees and the addition of basking rocks for reptiles. We continue to record species observations so we can monitor the impact our work is having - during 2014 we conducted a Phase 2 habitat survey of our meadow and also a fungi survey as well as our ongoing butterfly transects and bird surveys. Work is also progressing at our observations site in Camborne, Cornwall, and at our radar site in Cobbacombe in mid-Devon.

Looking ahead

In the coming year we will be focusing on continuing to improve our sustainability performance. In 2014/15 we took delivery of the first phase of our new HPC and, when this becomes operational later in 2015/16, our energy consumption will increase. We will be addressing this by monitoring the ratio between performance and power consumption so that the Power Usage Effectiveness (PUE - an industry standard measure for Data Centre Efficiency) of our HPC remains as low as possible. The HPC also requires cooling and the most efficient way to do this is to use water cooling. During 2015/16, we will be phasing in a more efficient system in which water is circulated through pipe work in the computer cabinet doors. We will also be using a higher proportion of water from our on-site borehole in order to reduce our mains water consumption.

Principal risks and uncertainties

During the year, the risk portfolio has included the following key risks:

- The need to protect the long-term UK observations infrastructure, with this risk being managed via the engagement of key stakeholders across Government and further engagement in the planning process for developments that could affect the operation of observations networks such as radar;

- Continued pay constraints and scarcity of skilled technology resources, leading to difficulties in recruiting, retaining and engaging skills and expertise. We continue to engage with HM Treasury and the Shareholder Executive in BIS with a view to securing an increased local remit in determining staff pay;

- Recognise and mitigate the possible threat posed by cyber attacks and denial of service threats. This risk is being mitigated via the self-assessment of key systems, investments in technology and improvements in monitoring and awareness;

- Future funding of the National Climate Capability to provide climate impacts, adaptation and vulnerability information. We continue to actively engage with Government to provide a consistent and clear articulation of the wider benefits generated from the provision of services to UK plc;

- If we don't ensure the installation, operational delivery and the wider benefits of our new High Performance Computer, we are in danger of failing to deliver on the business case that secured the investment and compromising our reputation. Detailed planning, co-ordination of activity and monitoring of progress is in place to mitigate this risk;

- There is a risk that we fail to comply with UK and European data access legislation, and in response to this clarifications have been made to our data policy, legal advice sought on compliance and data release roadmaps created;

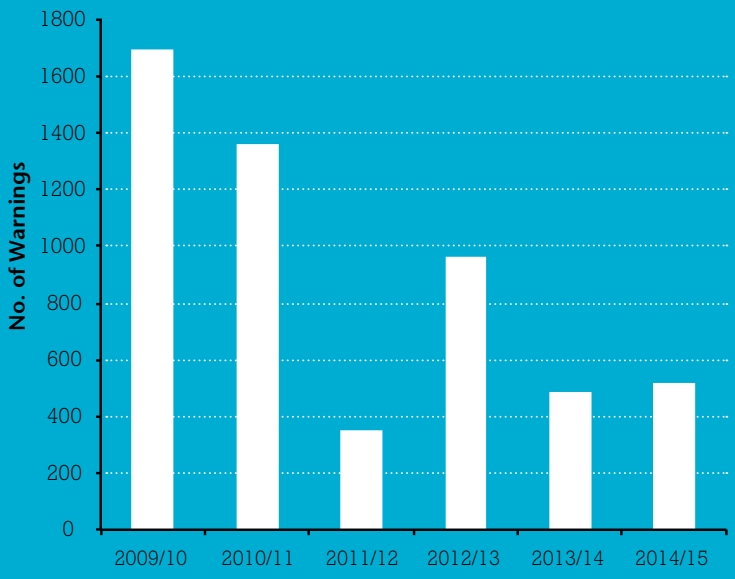
- The changing European landscape for meteorological services and the challenging international market presents a risk to our plans for growth, and we are re-shaping our international strategy and increasing our presence in key agencies across Europe to counter this; and

- Capacity restrictions could limit our ability to meet future customer demands, potentially limiting our aspirations for growth. We are currently implementing improvements to resource planning and developing an enhanced resource allocation methodology to ensure we get the best from the resources we have at our disposal.

Rob Varley,
Chief Executive

11 June 2015

TOTAL NO. OF WARNINGS - YEAR ON YEAR



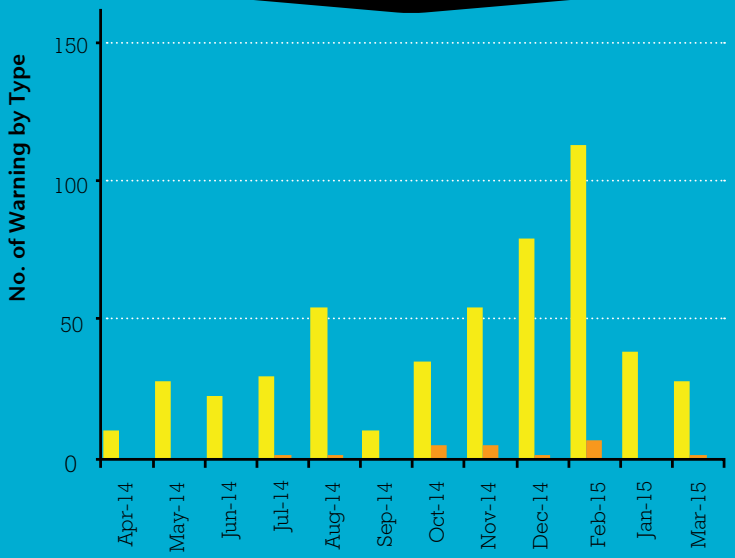
TOTAL NUMBER OF WARNINGS FOR 2014/2015

519

YELLOW **498**

AMBER **21**

2014 - 2015 WARNINGS BY MONTH

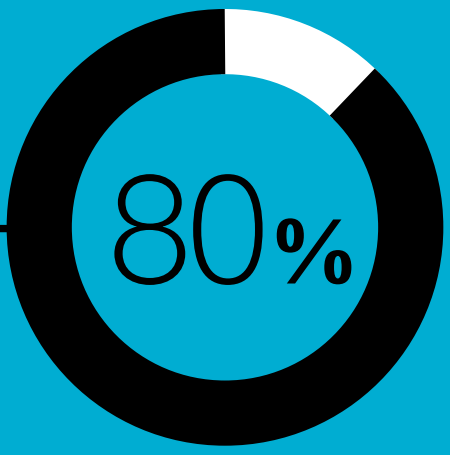


NO RED WARNINGS WERE ISSUED DURING THE YEAR

Of note during the year was the advent of dual warnings

Our two year rolling verification score for warnings which provided Good/Excellent guidance

ACHIEVING OUR STRETCH TARGET



Directors' report

Details of our auditors

These financial statements have been audited, under the Trading Funds Act 1973, by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament. His certificate and report is included in the accounts on page 44. The external audit cost was £58,000 (2013/14, £58,000).There were no non-audit fees in 2014/15 (2013/14, nil).

Provision of information to auditors

The Chief Executive, as Accounting Officer, confirms that there is no relevant information of which the auditors are unaware and that he has taken all necessary steps to ensure they have been made aware of all relevant audit information throughout the business.

Policy and practice on payment of creditors

During 2014/15 the Met Office continued to exceed the Government's prompt payment target of paying at least 80% of valid invoices from UK suppliers within five working days. Averaged over the 2014/15 financial year, 81.4% of invoices were processed through to payment within five working days, compared with 90.4% over the whole of 2013/14. Non-UK suppliers are paid within contracted payment terms or, where there are no specifically agreed terms, within 30 days of the later of receiving a valid invoice or of the delivery date.

Sickness and absence data

In 2014/15 the Average Working Days lost per person was 4.9 days (2013/14, 5.8 days).

Other information provided in the Annual Report

To enhance readability and avoid duplication, the Met Office has included information normally included in the Directors' Report in other sections of the Annual Report. These can be found as follows:

Disclosure	Section
What we do	Strategic report
Details of the Met Office Board	Governance statement
Our people	Strategic report
Details on pension liabilities	Remuneration report accounting policies
Protecting personal data	Governance statement

Rob Varley,
Chief Executive

11 June 2015

Governance
Remuneration report

Remuneration policy

The remuneration of those who serve on the Met Office Board is disclosed within this Remuneration Report. The following Executive members of the Met Office Board were members of the Senior Civil Service and were appointed on fixed-term contracts:

J Hirst	Chief Executive until September 2014

The remaining Executive members of the Met Office Board are Met Office employees:

R Varley	Operations and Service Director until January 2015, Chief Executive from September 2014.
J Slingo	Chief Scientist
N Jobling	Chief Financial Officer
S Noyes	Operations and Services Director

Senior Civil Servants

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Unless otherwise stated opposite, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.org.uk

Met Office employees

Met Office employees have their remuneration determined by a process consistent with HM Treasury civil service pay guidance.

Subject to the constraints of government policies on public sector pay, the Chief Executive has delegation to determine pay and conditions for all Met Office employees. This delegation requires the Chief Executive to consult with the Department for Business, Innovation & Skills (BIS), the Cabinet Office and HM Treasury and to gain ministerial approval from BIS before negotiating any changes to pay and grading systems and arrangements with the recognised Trade Union. This is achieved through the Civil Service Pay Remit process.

The Met Office Reward Strategy approved by the Chief Executive is designed to drive the behaviours required to deliver the Corporate Plan. The Met Office Reward Strategy is aligned with the Met Office's Corporate Plan and is consistent with the Civil Service Reward Principles. Further details of the Civil Service Reward Principles can be found at www.civilservice.gov.uk/about/resources/reward-principles

Met Office Reward and Remuneration Committee

The Reward and Remuneration Committee is a sub-committee of the Met Office Board. The members of the Reward and Remuneration Committee are the Non-Executive Directors of the Met Office Board. The Committee is chaired by a Non- Executive member of the Met Office Board.

The purpose of the Committee includes the consideration of distributions to employees under the Met Office Corporate Performance scheme, based on an assessment of the performance of the Met Office against its Business Performance Measures and the level of declared profit.

The Committee also considers, if appropriate, whether Senior Civil Servants at the Met Office should receive a performance award under their service contract and performance awards for directors under the Met Office personal performance scheme.

Remuneration

	2014-15					2013/14				
	Salary	Other taxable allowances	Performance - related pay	Pension benefits [1]	Total	Salary	Other taxable allowances	Performance - related pay	Pension benefits [2]	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
J Hirst Chief Executive until September 2014	70-75 (Full Year Equivalent 145-150)	5-10	10-15	41	140-145	145-150	10-15	20-25	65	245-250
R Varley Chief Executive from September 2014, previously Operations and Services Director	100-105	0-5	5-10	174	280-285	85-90	0-5	0-5	25	110-115
N Jobling Chief Financial Officer	100-105	0-5	0-5	16	115-120	100-105	-	0-5	22	125-130
J Slingo Chief Scientist	140-145	0-5	20-25	63	230-235	140-145	-	25-30	59	225-230
S Noyes Operations and Services Director from January 2015	15-20 (Full Year Equivalent 90-95)	0-5	0-5	7	25-30	-	-	-	-	-

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

2 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

The new Met Office

SPACE WEATHER OPERATIONS CENTRE

gives warnings of the risks...

...to our **ECONOMY** and **INFRASTRUCTURE**

That come from

THE SUN

Salary
'Salary' includes gross salary; overtime; non-consolidated pay; London allowances; recruitment and retention allowances.

Other taxable allowances
Other taxable allowances represent any other allowances to the extent that it is subject to UK taxation. These primarily reflect payments for the provision of temporary accommodation in Exeter and weekend travel home. Variances in the amounts paid are due to the timing of claims processed through payroll, the amount of travel between home and Exeter and not a change in the rate of allowances payable.

Performance-related pay
Performance related payments are based on performance levels attained and are made as part of the appraisal process. Payments are non-consolidated and non-pensionable and represent part of Executive remuneration, which is at risk and needs to be re-earned each year. They relate to the performance attained in the current year, therefore the amounts shown overleaf for performance related pay in 2014/15 are based on 2014/15 performance and accrued within the 2014/15 accounts. The performance-related pay for 2013/14 is based on performance for 2013/14, which were accrued into the 2013/14 accounts and paid during 2014/15.

As noted overleaf, members of the Met Office Executive are either members of the Senior Civil Service or Met Office employees. Performance-related payments are governed by the arrangements for each of these groups, with the non-Senior Civil Service Executive team members participating in the Met Office reward arrangements that are open to all Met Office employees.

Pay multiples
Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid Director in the Met Office in the financial year 2014/15 was £165,000 to £170,000 (2013/14 £185,000 to £190,000). This was 5.0 times (2013/14 5.6 times) the median remuneration of the workforce, which was £33,953 (2013/14, £33,071). In 2014/15, no employees (2013/14, nil) received remuneration in excess of the highest-paid Director.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the Cash Equivalent Transfer Value of pensions.

Pension entitlements for each Director

	Accrued pension at pension age as at 31 March 2015 & related lump sum	Real increase in pension & related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014	Real increase in CETV
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
J Hirst Chief Executive until September 2014	25-30	0-2.5	452	401	32
R Varley Chief Executive from September 2014, previously Operations and Services Director	40-45 plus lump sum of 125-130	5-10 Plus lump sum of 20-25	780	610	137
N Jobling Chief Financial Officer	15-20	0-2.5	266	238	9
J Slingo Chief Scientist	40-45	2.5-5	764	666	53
S Noyes Operations & Services Director from January 2015	0-2.5	0-2.5	6	-	4

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website **www.civilservicepensionscheme.org.uk**

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at **www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/**

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme, or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Off-payroll engagements

Table 1: Off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months

Number of existing engagements as of 31 March 2015	46
Of which...	
Number that have existed for less than one year at time of reporting.	38
Number that have existed for between one and two years at time of reporting.	7
Number that have existed for between two and three years at time of reporting.	1
Number that have existed for between three and four years at time of reporting.	-
Number that have existed for four or more years at time of reporting.	-

Table 2: New off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015	15
Number of the above which include contractual clauses giving the Met Office the right to request assurance in relation to income tax and National Insurance obligations	15
Number for whom assurance has been requested	15
Of which...	
Number for whom assurance has been received	12
Number for whom assurance has not been received	3
Number that have been terminated as a result of assurance not being received.	-

The engagements above do not include any board members or senior officials with significant financial responsibility.

Fees paid to Non-executive Directors

Met Office Non-executive Directors are not Met Office employees and are not members of the Principal Civil Service Pensions Scheme.

	2014/15	2013/14
	£'000	**£'000**
Greg Clarke	35-40	35-40
Professor Sir John Beddington	15-20	15-20
Wendy Barnes	15-20	15-20
Christine Tacon	15-20	15-20
Dr David Burridge	15-20	15-20
Paul Rew	15-20	15-20

Michael Harrison has been appointed in conjunction with his responsibilities at Shareholder Executive. He is not entitled to receive separate remuneration in undertaking Met Office duties. John Kimmance does not received any remuneration in his role as a Non-executive Director.

Rob Varley,
Chief Executive

11 June 2015

An in-house team of
MET OFFICE METEOROLOGISTS

AT HEATHROW

Help Improve
OPERATIONAL PLANNING

Maximise
EFFICIENCY

AND

Reduce
OPERATING COSTS

for **THE AIRPORT**

Statements by the Accounting Officer

Statement of the Met Office and Accounting Officer's responsibilities

Under section 4(6)a of the Government Trading Funds Act 1973, HM Treasury has directed the Met Office to prepare a statement of Accounts for the 2014/15 financial year in the form and on the basis set out in the Accounts Direction issued on 19 December 2014 and in guidance received on 20 February 2015.

The Accounts are prepared on an accruals basis and must give a true and fair view of the Met Office's state of affairs as at the 31 March 2015 and of the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the Accounts, the Accounting Officeris required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the 'going concern' basis.

HM Treasury has appointed the Chief Executive of the Met Office as the Accounting Officer for the Trading Fund. His responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances, for which he is answerable, for keeping of proper records and for safeguarding the Met Office's assets, are set out in Managing Public Money published by HM Treasury.

Governance statement

Scope of responsibility

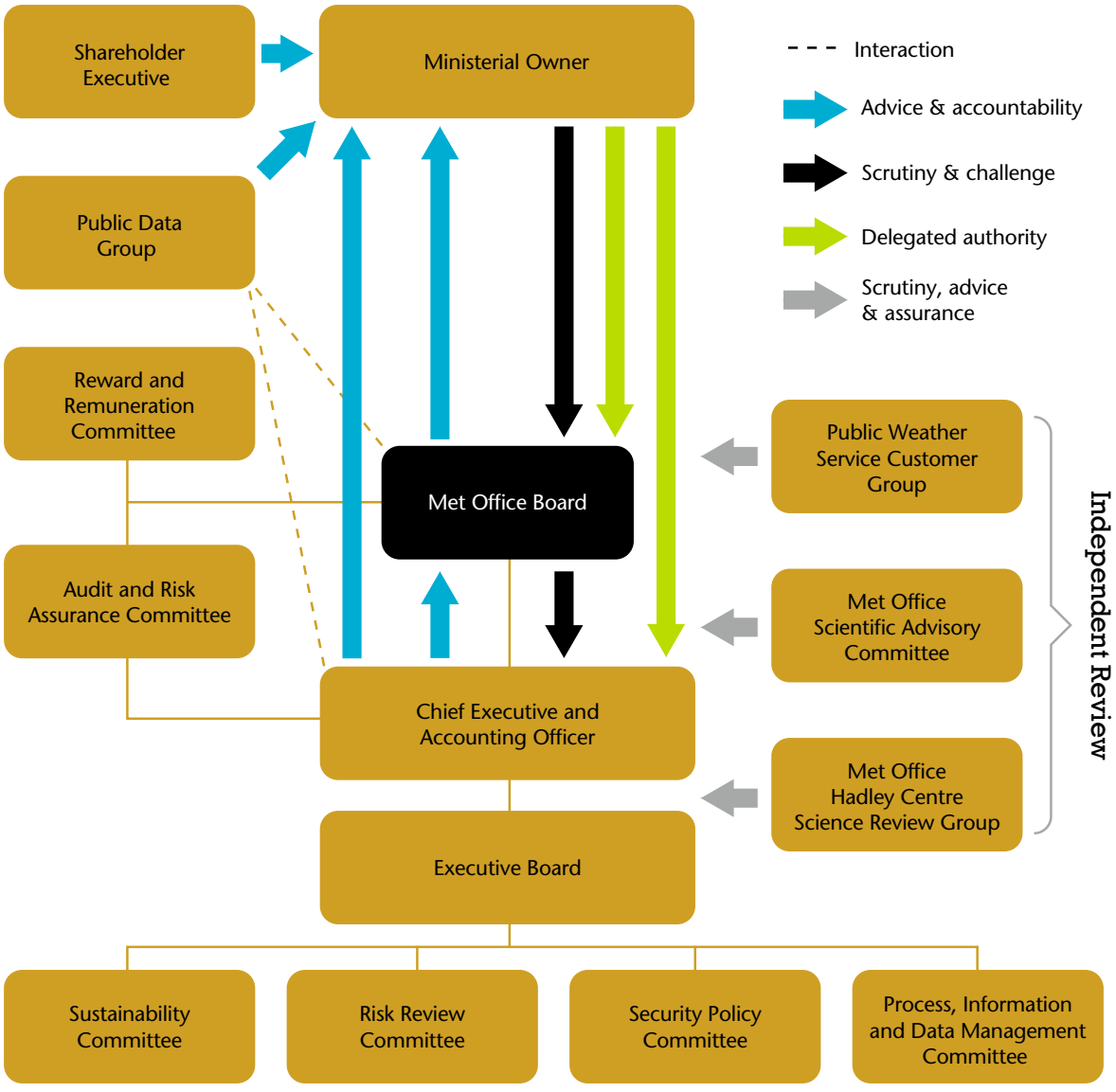
As Accounting Officer it is my responsibility to ensure that there is a sound system of governance, risk management and internal control in place; and that Met Office business is conducted in accordance with Managing Public Money to ensure public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The purpose of the governance statement

The Governance statement, for which I, as Accounting Officer take personal responsibility, gives a clear understanding of the dynamics of the Met Office and its control structures. These control structures provide an adequate insight into the business of the Met Office and its use of resources to allow me to make informed decisions about progress against business plans and if necessary steer performance back on track. In doing this I am supported by a Governance framework which includes the Met Office Board, its Committees and Senior Management.

This statement also explains how the Met Office has complied with the principles of Good Governance and reviews the effectiveness of these arrangements.

Met Office Governance Structure:



The organisation's governance framework/structure

Review of governance structure

In September 2014, I was appointed as Chief Executive of the Met Office, replacing John Hirst who left the organisation following two full terms of service. I also continued as Operations and Services Director until January 2015, when Steve Noyes took up his appointment to this role.

Role of the Met Office Board

The Met Office Board challenges and supports the Executive team and carefully scrutinises its proposals and performance, particularly in relation to the development of the Met Office's long-term business strategy, and delivery of the approved Corporate Plan, including performance against Business Performance Measures. In addition, the Met Office Board takes an overview of corporate risk and works with the Executive Board to agree the organisation's risk appetite.

Met Office Board composition

The Chairman is responsible for leading the Board and ensuring that it is effective in discharging its role. He is supported by additional non-executives, chosen to ensure an appropriate mix of skills and experience. The Met Office Board has two committees - the Audit and Risk Assurance Committee and the Reward and Remuneration Committee - each chaired by a non-executive board member.

Chief Executive and Accounting Officer

As Chief Executive I am responsible for the day-to-day leadership and management of the Met Office. I am accountable to the Ministerial Owner and the Met Office Board (acting, where appropriate, on the Ministerial Owner's behalf) for the performance of the Met Office in accordance with the Met Office Framework Document and Corporate Plan. The Executive Board, which I chair, is responsible for supporting me in implementing the strategy set out by the Met Office Board. The Executive Board has four sub-committees: the Risk Review Committee, the Sustainability Committee, the Security Policy Committee, and the Process, Information and Data Management Committee. I am also Accounting Officer (AO) for the Met Office, personally responsible and accountable to Parliament for the organisation and quality of management in the Met Office, including its use of public money and the stewardship of its assets.

Shareholder Executive

The Shareholder Executive (ShEx) advises BIS Ministers on the management of the Government's interest in the Met Office, and a ShEx representative sits on the Met Office Board, the Audit and Risk Assurance Committee and on the Reward and Remuneration Committee.

Public Data Group

The Met Office is a member of the Public Data Group (PDG). The purpose of the PDG is to build on capabilities and existing best practice. The PDG will seek to support growth in the UK economy by delivering efficiencies and improvements in public services through its members. These objectives are additional and incremental to those with which the PDG members are already individually charged. The PDG provides collective advice to the responsible BIS Minister through its Board. Both the Met Office Chairman and I are members of the PDG Board.

Additional review bodies

The following bodies provide additional independent review of Met Office activities:

- **Public Weather Service Customer Group (PWSCG)** – oversees the Public Weather Service from a customer point of view, ensuring the quality, suitability and value for money of the service provided. The PWSCG comprises independent members and representatives from government departments, agencies, emergency responders, local authorities, the Scottish and Welsh Governments and the Northern Ireland Assembly. The PWSCG Annual Report is publicly available through the Met Office website.

- **Met Office Scientific Advisory Committee** – provides an independent assessment of the quality and relevance of the Met Office's scientific research which underpins our weather, climate and oceanographic services. The Committee is chaired by Professor Huw Davies and consists of leading scientists from UK academia and other National Meteorological Services from around the world.

- **Met Office Hadley Centre Science Review Group (SRG)** – provides an independent review, on behalf of the Department of Energy and Climate Change and the Department for Environment, Food and Rural Affairs, of the climate research carried out by the Met Office Hadley Centre. The SRG is chaired by Professor Gabi Hegerl and membership of the group includes leading UK and international scientists.

Internal reviews

We are currently conducting a General Review in collaboration with BIS, focusing on the role of the Met Office, and how this is underpinned by its delivery and funding model. It also aims to ensure Government as a whole understands the Met Office's purpose, value-add and structure. A high-level summary of the Review is expected to be published in late summer 2015.

A Commercial Review was also initiated during the year, looking at how we participate in our chosen markets, and what operating model is most efficient for our commercial activities. This review is ongoing.

Membership and attendance at Met Office Board and Committee meetings

Board and committee composition and attendance	Committee memberships	Board Meetings	Audit and Risk Assurance Committee	Reward and Remuneration Committee
Total number of meetings		**7**	**3**	**1**
Executive Directors				
John Hirst[1], Chief Executive		3/3	1/1[2]	1/1
Rob Varley, Chief Executive[3],		4/4	1/1[2]	-
Operations and Services Director[3],		3/3	-	-
Nick Jobling, Chief Financial Officer		7/7	3/3[2]	-
Prof Dame Julia Slingo, Chief Scientist		5/7	-	-
Steve Noyes[4], Operations and Services Director		3/3	-	-
Non-executive Directors				
Greg Clarke, Met Office Chairman		7/7	-	1/1
Paul Rew, Chair Audit and Risk Assurance Committee (ARAC)	Reward, ARAC	7/7	3/3	1/1
Wendy Barnes, Chair Reward and Remuneration Committee	Reward, ARAC	7/7	3/3	1/1
David Burridge, Non-executive Director	Reward	7/7	-	1/1
Prof Sir John Beddington, Non-executive Director	Reward	6/7	-	1/1
Christine Tacon, Non-executive Director	Reward, ARAC	7/7	3/3	1/1
John Kimmance, Non-executive Director	Reward	7/7	-	1/1
Michael Harrison, Non-executive Director Shareholder Executive representative	Reward, ARAC	7/7	3/3	1/1
Helen Stevens[2] Prospect representative		4/7	-	-

[1] Left the Board in September 2014

[2] Invited attendees

[3] Chief Executive from September 2014 and Operations and Services Director until January 2015

[4] Joined the Board in January 2015

Met Office Board activities in 2014-15

During 2014-15 the Met Office Board met seven times. A summary of each Met Office Board meeting is published on the Met Office website. Some of the themes discussed at Board meetings during 2014-15 were business cases for High Performance Computing and Polar Satellites, the General and Commercial Reviews, resourcing and skills challenges and gender and diversity issues; and latest developments in weather and climate science, such as the benefits of the Met Office Unified Model's new dynamical core.

Evaluation of Board performance

The performance of the Met Office Board and its committees was evaluated using a structured questionnaire. The 2014-15 review highlighted no serious issues, and the Board endorsed the implementation of recommendations for improvement over the following year.

Conflicts of interest

The Met Office maintains a public Register of Interests that details company directorships and other significant interests held by Board members which may conflict with their responsibilities. The Register is reviewed at least on an annual basis. Where appropriate, conflicts of interest were declared but these have not been relevant to the discussions held at Board meetings during the year.

The Register is available to view by applying in writing to my Private Secretary at the Met Office, FitzRoy Road, Exeter, EX1 3PB.

Protecting personal data

During 2014-15, no protecting personal data related incidents were reported to the Information Commissioner's Office, nor were any such incidents centrally recorded but not formally reported.

Statement of compliance

Where applicable, the Met Office has complied during 2014-15 with the provisions of Corporate governance in central government departments: Code of good practice 2011.

The risk and internal control framework

Risk management strategy and how the risk profile is managed

The Met Office Corporate Plan describes the direction of the organisation and highlights key corporate objectives. Each business unit derives its objectives from the Plan; these are cascaded to form individual objectives. Performance is represented on the Corporate Dashboard and covers all business areas, corporate objectives and Business Performance Measures (BPMs).

Assessing and managing risk is a fundamental part of day-to-day business management across the Met Office. Executive Heads and Heads play a vital role in the identification, mitigation and, if necessary, escalation of risks as appropriate across all business areas, programmes and projects.

Our risk management approach is designed to achieve a cost-effective balance between mitigation and acceptance of risk, with targets set for individual risks. Our risk management process supports the identification, quantitative and qualitative assessment, ranking and reporting of risks in a consistent way that clearly assesses the significance of the risk against our corporate risk appetite.

This approach enables us to understand the scale of the risks we face and to respond in an appropriate, effective and efficient manner.

Accountability and responsibility framework

The Met Office Board provides an external perspective to all risks. The Board reviews the most serious risks threatening strategic objectives twice a year.

The Executive Board drives risk management from the top down, and ensures all major decisions are subject to risk assessment and effective mitigation actions. The Executive team identifies and manages risk in accordance with the risk appetite. Individual Executive members review risks within their Directorate at least quarterly.

The Audit and Risk Assurance Committee reviews the corporate risks three times a year, and discusses the risk management strategy, so that it can provide assurance to the Accounting Officer and the Met Office Board on the effectiveness of the risk management framework and the effectiveness of mitigation actions in the Met Office.

The Risk Review Committee (RRC) reviews actions on all corporate and significant business risks and is the main champion of risk management within the Met Office. The Risk Review Committee sits quarterly. It supports and challenges the Met Office Executive in identifying risks and opportunities, highlighting where risks are being ineffectively managed and addressing these areas with management. It also facilitates a top-level corporate-wide risk horizon-scanning exercise.

The Executive Heads and senior management ensure that they understand the risk policy, process and reporting requirements, ensuring that a Risk Register is compiled and maintained for each major activity, and escalate risks in conjunction with the Corporate Risk and Benefits Manager as required.

The Corporate Risk and Benefits Manager works across all levels of the Met Office to ensure risks are managed, reported and mitigated effectively.

Risk management information is used:

- To help inform the annual planning process, especially at business area and corporate objective level;
- Consistently and at all levels in the organisation - i.e. corporate, individual business area and project - with escalation procedures clearly established;
- To help inform key business decision-making processes such as Corporate Investment Appraisals; and
- To help inform the assurance needs of the organisation.

Risk management assurance

The annual risk management internal audit concluded that the design and effectiveness of internal controls merited moderate assurance. There were a number of areas of good practice reported with regard to the design of the risk management protocols, with opportunities for improved assurance existing around the application of these, specifically in relation to projects.

A Risk and Assurance Framework has been developed this year that aligns corporate objectives, risks, key controls and assurance generated over the adequacy and effectiveness of these controls by management, internal and external assurance providers. Gaps are identified where key controls and assurances are insufficient to mitigate the risk of non-delivery of objectives.

Risk appetite

Risk appetite is defined as the level of risk the organisation is willing to face to achieve its objectives, whilst continuing to provide the required level of assurance to stakeholders that their assets are safeguarded. Risks which are on track to be within the risk appetite after the appropriate controls and mitigation actions have taken place are monitored regularly to make sure the actions stay on track. Risks where the mitigations or controls go off track, and are not likely to be within the risk appetite, are given further attention and escalation. Additional controls have been designed and implemented where business decisions are outside the defined risk appetite.

The organisation's Risk Appetite Framework is based on "Thinking about Risk, Managing your risk appetite: A practitioners guide" HM Treasury, November 2006. The risk tolerances are directly aligned to the corporate objectives outlined in the Corporate Plan, and are framed against the categories of Legal/Regulatory/Security, Financial, Operational Delivery and Value for Money.
This provides a granular view of the risk appetite for each Corporate Objective. It is reviewed regularly as part of the planning process.

Summary of risks and uncertainties currently being managed

Overall 2014/15 has been a year which has seen the risk management approach maturing with a focus on risk reduction and risk reporting. During the year, the risk portfolio has included the following key risks:

- The need to protect the long-term UK observations infrastructure, with this risk being managed via the engagement of key stakeholders across Government and further engagement in the planning process for developments that could affect the operation of observations networks such as radar;
- Continued pay constraints and scarcity of skilled technology resources, leading to difficulties in recruiting, retaining and engaging skills and expertise. We continue to engage with HM Treasury and the Shareholder Executive in BIS with a view to securing an increased local remit in determining staff pay;
- Recognise and mitigate the possible threat posed by cyber attacks and denial of service threats. This risk is being mitigated via the self-assessment of key systems, investments in technology and improvements in monitoring and awareness;
- Future funding of the National Climate Capability to provide climate impacts, adaptation and vulnerability information. We continue to actively engage with Government to provide a consistent and clear articulation of the wider benefits generated from the provision of services to UK plc;
- If we don't ensure the installation, operational delivery and the wider benefits of our new High Performance Computer, we are in danger of failing to deliver on the business case that secured the investment and compromising our reputation. Detailed planning, co-ordination of activity and monitoring of progress is in place to mitigate this risk;
- There is a risk that we fail to comply with UK and European data access legislation, and in response to this clarifications have been made to our data policy, legal advice sought on compliance and data release roadmaps created;
- The changing European landscape for meteorological services and the challenging international market presents a risk to our plans for growth, and we are re-shaping our international strategy and increasing our presence in key agencies across Europe to counter this; and
- Capacity restrictions could limit our ability to meet future customer demands, potentially limiting our aspirations for growth. We are currently implementing improvements to resource planning and developing an enhanced resource allocation methodology to ensure we get the best from the resources we have at our disposal.

The overall number of risks being escalated for management on the Corporate Risk Register remained fairly constant through the year, and mitigation action plans are in place for all corporate risks.

Control framework

Objectives and targets: we have clear strategic direction, objectives, responsibilities and Business Performance Measures which balance the financial, customer and policy interests of the Met Office.

Funds and assets

We ensure efficiency, value for money, integrity and regularity in the use and stewardship of funds and assets. Clear accountability for expenditure and stewardship of assets is in place through a variety of control systems including:

- A corporate investment appraisal process to provide support and guidance in deciding on business cases for significant bids, expenditures or items that may be considered novel or contentious. This process ensures that a proposed investment or bid submission offers value for money, considers affordability, business requirement and justification (including fit with corporate strategy). Risk appetite, benefits, outcomes and risk management are also considered.

- The corporate investment appraisal process also addresses the financial propriety and other requirements from Managing Public Money, the Green Book and other HM Treasury guidance.

- A formal system of delegation of financial and contractual authority as defined in the Met Office Framework Document, fully integrated with the corporate investment appraisal process, is cascaded to members of the Executive Board, Heads, Executive Heads and other managers within the organisation.

- A centralised procurement model is deployed to support and ensure financial and contractual delegations are followed. The Procurement team acts as the focal point for procurement expertise within the Met Office. Good procurement is a pre requisite for the organisation, making sure we get the services we need, from suppliers we can trust at a price we can demonstrate to be competitive.

- A robust system of budgetary control is in place with budget managers fully involved in the budget setting and rolling forecast processes. Budgets are set in a controlled manner, based on realistic and informed assumptions. Budgetary variations are analysed, investigated, explained and acted upon. Budgetary control is supported by a planning, budgeting and forecasting system which is used to collect and process data for financial forecasts, budgets and plans.

- The Met Office's accounting system comprises core ledgers (sales, purchase, and nominal) together with integrated modules including stock, procurement, fixed assets, procurement card and sales invoicing. The integrated nature of the system ensures robust and consistent reconciliation between the different areas. There exist well-established links to other software systems including financial forecasting, sales order processing, reporting and payroll.

- The production of monthly financial and business performance reports, monitored by both the Finance and Business Performance teams. Detailed reviews and discussions of corporate and programme performance are held on a monthly basis with the Met Office Executive. Any necessary action is taken to ensure the Met Office and its programmes perform to the desired level, supporting strategic goals and delivering benefits.

- Asset management and control procedures, including the appropriate segregation of duties and processes to ensure accurate recording, accounting and safeguarding of Met Office assets.

- Independent assurance that management controls are working as intended is also provided through an annual internal audit programme of assurance work.

Business critical models

An inventory of business critical models used within the Met Office has been provided to BIS, along with commentary on the relevance of each to the organisation. Robust quality assurance arrangements are in place for each of these models, reflecting their importance in continuous service provision.

Fraud

A dedicated Fraud Focal Point co-ordinates action on fraud related matters. We treat the risk of fraud extremely seriously and operate a policy of 'zero tolerance'. We expect and require all our employees to observe the highest standards of personal honesty and integrity and to ensure that all our business is carried out in a manner that conforms to those same standards. In addition to a Counter Fraud Policy we also have an Anti-Bribery Policy, guided by the Bribery Act 2010. This policy, published on our website, declares our public position on bribery and we expect all staff, contracted parties and partner organisations to conform to it. Internal guidance has been published to help staff implement the policy, supplemented with periodic training opportunities. All employees are required to register their commitment to our key policies on an annual basis. These Employee Commitments include upholding the Counter Fraud, Anti-Bribery and Whistleblowing policies. The approach to Fraud, Anti Bribery and Whistleblowing policies is reviewed at the Audit and Risk Assurance Committee, as are any cases as and when they occur.

Health and safety

We are committed to the provision of a safe and healthy working environment ensuring, so far as is reasonably practicable, the health, safety and welfare of our employees and those affected by our activities.

Senior managers are responsible for implementing our Health and Safety policy, ensuring appropriate implementation at local level and monitoring the subsequent effectiveness of implementation. They are also responsible for ensuring sufficient resources are available, so far as reasonably practicable, to achieve and maintain a safe working environment.

Statutory compliance

The Met Office has undertaken and complied with its legal obligations during the year. The Met Office has a number of professionally qualified employees who understand and advise us about our legal obligations, including those relating to employment, procurement, advertising, consumer rights, health and safety, competition, freedom of information, personal data protection, re-use of public sector information, intellectual property, defamation, contracts and treaties.

In addition, we work closely with other parts of government to comply with their additional requirements as owners, customers and as government policy makers.

Information security

We have a Senior Information Risk Owner (SIRO) at Executive Director level who is supported by twenty Information Asset Owners (IAO) who cover information assets across the whole of the Met Office. They work with the SIRO to ensure business critical and sensitive information assets are risk managed appropriately and all information assets are protected and exploited as per our risk appetite. Wider governance is delivered through an Information Security Steering Group which is chaired by the SIRO and oversees the Met Office Information Security Management System (ISMS). In addition to regular briefings given to this steering group a detailed Cyber Security briefing was given to the Met Office Board during the year.

The Met Office has complied with the HMG Security Policy Framework for the financial year and has evidenced this through a completed Security Health Check Report, which has been independently validated by Internal Audit and returned to the BIS SIRO. In addition the Met Office completed a health check against CESG's Ten Steps to Cyber Security which found no gaps.

Protective security is the responsibility of the Chief Security Officer who holds the role of Departmental Security Officer (DSO) at the Met Office. A wide range of improved security tools and processes has been implemented during the year, with the focus being on protecting Information Assets identified as critical. More work in this area is planned for the next financial year.

Audit and Risk Assurance Committee's reports on the organisation's assurance arrangements and risk profile

The Audit and Risk Assurance Committee sat three times during 2014-15 and was the primary reporting point for the Internal Audit Team. Results of the team's work, including assurance ratings for individual audits and summaries on the progress of the implementation of agreed actions were reported to the Committee on a monthly basis, as well as at each Committee meeting. The Committee reported to the Met Office Board after each meeting.

The nature and status of key corporate risks is reported routinely to the Audit and Risk Assurance Committee, along with details of mitigating actions being taken. The Committee challenges management where necessary to gain the assurance it needs over the robustness of these actions. The Committee arranges for management representatives to attend its meetings to explain how corporate risks of particular concern are being reduced to an acceptable level. During the current year, this was the case for Business Process Management, Safeguarding the UK Observational Infrastructure and Service Management, where updates on progress have either been delivered to the Committee, or will be delivered during the 2015/16 year.

The Audit and Risk Assurance Committee annually reviews the effectiveness of the internal and external audit functions, and has expressed the view that these functions continue to operate effectively for 2014/15 in the provision of assurance on Met Office standards of governance, risk management and control.

Internal audit's opinion on the quality of the systems of governance, risk management and internal control

The Head of Internal Audit has concluded that moderate assurance can be provided over the adequacy and effectiveness of the Met Office's systems of governance, risk management and internal control. This is the same rating given for FY 2013-14 and reflects the stability and relative robustness of the governance, risk and control frameworks across the Met Office. However, it should be noted that within the moderate rating the overall level of assurance was slightly below that for 2013-14. Although their work did not identify any inherent control weaknesses impacting the underlying system of internal control, they did identify a number of improvement themes around the continuing need for engagement in delivering cross-office initiatives, and a need to better understand and meet our changing governance needs relating to project and programme management. Other areas for improvement identified included monitoring strategy implementation and improving the relevance of financial reporting.

Review of effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This review is informed by the work of executive managers and internal auditors within the organisation who have responsibility for the development and maintenance of the governance structures, internal control framework, and comments made by the external auditor in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

The mechanisms and processes maintained in reviewing the effectiveness of the system of governance, risk management and internal control and to collect the relevant data for the Governance Statement

Internal Audit assessed the systems of governance, risk and control via a planned programme of assurance-generating work over the course of the year. A structured process identified the activities to be audited, with corporate risk a key consideration in determining the actual audits to be undertaken. This work also included a review of how risk management operates, with this year's work yielding a rating of moderate assurance on its effectiveness.

In April 2013 Government Internal Audit Standards were replaced by the new Public Sector Internal Audit Standards (PSIAS) and during the year the effectiveness of the Internal Audit function and compliance with PSIAS was assessed internally and reported to the Audit and Risk Assurance Committee. An independent view of compliance with Public Sector Internal Audit Standards is required every five years and the next assessment will be due in the first half of 2016.

Annual Assurance Statements have been received from Heads, Executive Heads and Executive Directors describing the extent to which, and how, they have complied with internal rules and regulations that form a key part of the organisation's governance framework. These statements were individually reviewed by Internal Audit and a sample of Heads, Executive Heads and Directors was audited to further confirm the accuracy of the statements.

The assessment of effective operation of the organisation's business and environmental management systems has also been obtained via the retention of its certifications for ISO 9001:2008 and ISO14001:2004.

The Met Office Board and its Committees also undertook an annual self-assessment exercise, seeking the views of members on the effectiveness of the Boards and Sub-Committees on which they sit. A new, more structured and consistent approach was used this year, providing increased rigour and challenge. Feedback was collated and reported back to the Met Office Board, with any improvements required identified and addressed.

Significant governance and control issues

The Annual Assurance Statements referred to above have raised no significant issues and generated positive assurance on the direction and quality of the Met Office's work.

No governance or internal control issues have been identified during the year that are considered to be significant in relation to the Met Office's overall governance framework. Specific opportunities for improvement identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

I have been advised on the implications of the result of the review of the effectiveness of the system of governance including internal control and risk management by the Board's Audit and Risk Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have considered the evidence provided with regard to the production of the Annual Governance Statement. The conclusion of the review is that the organisation's overall governance, risk management and internal control structures are effective.

Rob Varley,
Chief Executive

11 June 2015

Accounts

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Met Office for the year ended 31 March 2015 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Met Office, Chief Executive and auditor

As explained more fully in the Statement of the Met Office and Chief Executive's responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Met Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Met Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Year in Review, Strategic Report (About us and Financial Review), Directors' Report and Governance sections of the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Met Office's affairs as at 31 March 2015 and of its retained profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Year in Review, Strategic Report (About us and Financial Review), Directors' Report and Governance sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP
17 June 2015

Statement of comprehensive income for the year ended 31 March 2015

	Notes	2014/15 £ '000	2013/14 £ '000
Revenue	3	**220,795**	**208,118**
Other operating income:			
Operating costs	4	(208,658)	(196,876)
Operating profit		**12,137**	**11,242**
Finance income	5	159	113
Finance expense	6	(386)	(81)
Net finance income		**(227)**	**32**
Profit for the financial year		**11,910**	**11,274**
Dividend payable to Department for Business, Innovation & Skills		(8,462)	(9,538)
Retained profit for the year		**3,448**	**1,736**
Other comprehensive income:			
Net gain on revaluation of property, plant and equipment		5,221	3,227
Revaluation reserve realised on disposal of property, plant and equipment		(32)	(172)
Net loss on cash flow hedges		(4,758)	(2,491)
Other comprehensive income for the year		**431**	**564**
Total comprehensive income for the year		**3,879**	**2,300**
Return on Capital Employed (ROCE)	2	**5.1%**	**4.9%**

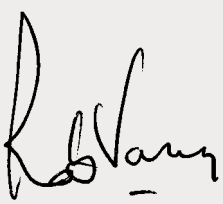
The notes on pages 49 to 70 form part of these Accounts.

Statement of financial position as at 31 March 2015

	Notes	31 March 2015 £ '000	31 March 2015 £ '000	31 March 2014 £ '000	31 March 2014 £ '000
Non-current assets					
Property, plant and equipment	8		129,025		128,894
Intangible assets	9		75,160		68,559
Derivative financial assets	16		-		-
Total non-current assets			**204,185**		**197,453**
Current assets					
Inventories	10	1,256		1,282	
Trade and other receivables	11	45,465		34,955	
Derivative financial assets	16	135		583	
Cash and cash equivalents	12	56,861		71,756	
Total current assets			**103,717**		**108,576**
Total assets			**307,902**		**306,029**
Current liabilities					
Trade and other payables	13	(52,198)		(54,284)	
Borrowings	15	(1,271)		(1,092)	
Derivative financial liabilities	16	(4,042)		(578)	
Provisions for liabilities and charges	17	(49)		(824)	
Total current liabilities			**(57,560)**		**(56,778)**
Total assets plus net current assets			**250,342**		**249,251**
Non-current liabilities					
Trade and other payables	13	(9,206)		(11,763)	
Borrowings	15	(9,673)		(10,908)	
Derivative financial liabilities	16	(1,538)		(692)	
Provisions for liabilities and charges	17	(764)		(606)	
Total non-current liabilities			**(21,181)**		**(23,969)**
Assets less liabilities			**229,161**		**225,282**
Capital and reserves					
Public dividend capital			58,867		58,867
Revaluation reserve			37,626		34,859
General reserve			138,113		132,243
Hedging reserve			(5,445)		(687)
Total Government funds			**229,161**		**225,282**

Mr R Varley,
Chief Executive

11 June 2015



The notes on pages 49 to 70 form part of these Accounts.

Statement of cash flows for the year ended 31 March 2015

	Notes	31 March 2014/15 £ '000	31 March 2013/14 £ '000
Cash flows from operating activities			
Operating profit		12,137	11,242
Adjustments for non-cash transactions:			
Depreciation charges (net of capital grants)	4, 8	12,113	13,169
Profit on disposal of property, plant and equipment	4	(70)	(29)
Amortisation	4, 9	19,558	12,524
Deferred grants released		(524)	(517)
Decrease/(increase) in inventories		26	(567)
Decrease/(increase) in trade and other receivables		(10,613)	12,299
Increase in trade and other payables		852	804
Decrease in provisions for liabilities and charges		(680)	(1,995)
Net cash inflow from operating activities		**32,799**	**46,930**
Cash flows from investing activities			
Payments to acquire satellite data		(23,075)	(14,112)
Payments to acquire property, plant and equipment		(12,657)	(7,379)
Capital grants received	14	-	3,191
Proceeds from sale of property, plant and equipment		272	262
Payments to acquire intangible assets (excluding satellite data)		(1,508)	(470)
Interest received		158	113
Net cash outflow from investing activities		**(36,810)**	**(18,395)**
Cash flows from financing activities			
Dividends paid		(9,500)	(7,630)
Loan advance received		-	12,000
Loan repayments		(1,384)	-
Net cash (outflow)/inflow from financing activities		**(10,884)**	**4,370**
Net increase in cash and cash equivalents	12	**(14,895)**	**32,905**
Cash and cash equivalents at 1 April		**71,756**	**38,851**
Cash and cash equivalents at 31 March		**56,861**	**71,756**

The notes on pages 49 to 70 form part of these Accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2015

	Public Dividend Capital	Revaluation Reserve	General Reserve	Hedging Reserve	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2013	58,867	34,250	128,061	1,804	222,982
Comprehensive income					
Profit for the financial year	-	-	11,274	-	11,274
Dividend	-	-	(9,538)	-	(9,538)
Retained profit for the year	-	-	1,736	-	1,736
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	(2,491)	(2,491)
Net gain on revaluation of satellite assets	-	66	-	-	66
Net gain on revaluation of property, plant and equipment	-	3,161	-	-	3,161
Revaluation reserve realised as impairment of property, plant and equipment	-	(172)	-	-	(172)
Revaluation reserve realised on disposal of property, plant and equipment	-	-		-	-
Transfers between reserves	-	(2,446)	2,446	-	-
Total other comprehensive income	**-**	**609**	**2,446**	**(2,491)**	**564**
Total comprehensive income for 2013/14	**-**	**609**	**4,182**	**(2,491)**	**2,300**
Balance at 31 March 2014	**58,867**	**34,859**	**132,243**	**(687)**	**225,282**
Comprehensive income					
Profit for the financial year	-	-	11,910	-	11,910
Dividend	-	-	(8,462)	-	(8,462)
Retained profit for the year	**-**	**-**	**3,448**	**-**	**3,448**
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	(4,758)	(4,758)
Net gain on revaluation of satellite data	-	1,543	-	-	1,543
Net gain on revaluation of property, plant and equipment	-	3,678	-	-	3,678
Revaluation reserve realised as impairment of property, plant and equipment	-	-	-	-	-
Revaluation reserve realised on disposal of property, plant and equipment	-	(32)	-	-	(32)
Transfers between reserves	-	(2,422)	2,422	-	-
Total other comprehensive income	**-**	**2,767**	**2,422**	**(4,758)**	**431**
Total comprehensive income for 2014/15	**-**	**2,767**	**5,870**	**(4,758)**	**3,879**
Balance at 31 March 2015	**58,867**	**37,626**	**138,113**	**(5,445)**	**229,161**

A description of the nature and purpose of each reserve is provided in note 1.

1. Accounting policies

Basis of preparation

Preparation of the financial statements
These financial statements have been prepared in compliance with an Accounts Direction dated 18 December 2014 in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

These statements also comply with the principles laid out in the 2014/15 Government Financial Reporting Manual (FReM) issued by HM Treasury, including additional guidance on the treatment of capital grants issued on 20 February 2015.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Met Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Met Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

Accounting developments and changes

IFRSs, amendments and interpretations in issue but not yet effective or adopted

There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. A list of these standards is available from HM Treasury: **www.gov.uk/government/publications/government-financial-reporting-manual-2014-to-2015**

The Met Office has not adopted any of these revised standards early and none are anticipated to have a future material impact on the financial statements of the Met Office.

In addition details of changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2015, are available here from HM Treasury: **www.gov.uk/government/publications/government-financial-reporting-manual**

None of these changes to the FReM are anticipated to have a future material impact on the financial statements of the Met Office.

Critical accounting policies and key judgements

Valuation of property, plant and equipment
All property, plant and equipment are carried at fair value. In arriving at fair value a number of methods are used dependent on the nature of the asset.

Freehold land and buildings
Freehold land and buildings in continuing use are revalued by qualified valuers every five years, in accordance with the Practice Statements and Guidance Notes set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Valuations are based on fair values for existing use from market-based evidence, except where the asset is considered specialised. These are assets where, due to their location and/or specification, market-based evidence is either not available or does not reflect the full characteristics of the asset. Specialised assets are valued on the basis of depreciated replacement cost.

The quinquennial valuations are supplemented by a 'desk-based' review carried out by a qualified valuer for the Exeter headquarters building and for other assets by annual indexation using the following indices:

- Specialised property assets - Building tender price index and residential land value index
- Non-specialised property assets - Gross Domestic Product Deflator Index

Plant and equipment
Assets classified as plant and equipment assets are revalued annually using the Gross Domestic Product Deflator Index. Assets classed as information technology use historical cost as a proxy for fair value due to the shorter lives of these assets.

Depreciation on revaluation
Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Valuation of intangible assets

EUMETSAT satellite data
The UK is a member of European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) and the Met Office, as the UK National Meteorological Service, has the right to receive all EUMETSAT data, products and services to fulfil its official duty. The Met Office uses the data to generate its weather forecasts and climate predictions used to deliver services to its customers.

Contributions other than research and development on programmes to date is capitalised and, once operational data is received, revalued annually at the lower of depreciated replacement cost (DRC) and value in use.

The value in use calculation measures the expected future cash flows generated from the use of EUMETSAT satellite data and discounts this at an appropriate rate to determine a value that will be generated from the use of the data.

EUMETSAT satellite data assets are amortised using the straight-line method to allocate the costs of the programmes over their estimated useful lives. The remaining life of the current satellite programmes at 31 March 2015 is currently assessed as three years providing the full operational service and a further 3 years as the operational hot spare for the follow-on programmes. This method reflects the principle that the economic benefit of satellite data remains constant between individual satellites.

Computer software and software licenses

Assets classed as computer software or software licenses use historical cost as a proxy for fair value due to the shorter lives of these assets.

Capital grants

Grant funded property, plant and equipment assets are capitalised at their fair value on receipt. Where the donor has imposed a condition on how the future economic benefits embodied in the grant are to be consumed the grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met. This will usually result in the grant being deferred until the asset is completed and in active use. The grant is then released to the income statement to match depreciation costs associated with the asset.

Where no condition is imposed, the grant is recognised immediately in the income statement.

Grant-funded assets are otherwise accounted for in the same way as other property, plant and equipment.

Key accounting policies

Revenue

Revenue comprises the accrued value of services (net of VAT) supplied to the private sector, Government departments and the wider public sector. Revenue is recognised in accordance with the substance of the customer's contractual arrangements and to the extent that the Met Office has performed or partially performed its contractual obligations. Where payments received from customers are greater than the revenue recognised under the contract, the amount in excess of the revenue recognised is treated as deferred income and included within trade and other payables. Where revenue is recognised as contract activity progresses and subject to the contractual arrangements, revenue is accrued. To the extent that the revenue is in advance of an invoice being raised, the amount is shown as accrued income within trade and other receivables.

Operating segments

The operating segments are reported based on financial information provided to the Met Office Executive. The Met Office Executive is considered to be the "Chief Operating Decision Maker" and is responsible for allocating resources and assessing the performance of the operating segments. Each segment has a senior manager who is responsible to the Chief Operating Decision Maker for the operating activities, financial results, forecasts and plans of their respective segments.

The Met Office has two reportable business segments: Government business and Commercial business. Both operating segments derive their revenue from the provision of weather and climate services. The Met Office derives over 80% of its revenue from public sector bodies. No operating segments have been aggregated to form the reportable segments.

The Met Office's management evaluates performance of the segments based on segment revenue and operating profit. Operating profit is further evaluated between that generated from activities falling within or outside the business growth business performance measure (BPM). The business growth BPM represents the operating profit derived from services supplied to Government customers on a competed (or competable) basis, together with operating profits from commercial business.

Research and development

The Met Office receives funding for a variety of research and development activities. This funding is treated as revenue attributable to the relevant Business Programme.

Externally funded research and development costs are recognised based on the stage of completion of the project. Related revenues are recognised on an equivalent basis and in accordance with the revenue recognition policy outlined above.

All research expenditure is charged to the income statement. Development expenditure is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the Met Office from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated. Where these criteria are met it is capitalised as an intangible asset.

Retirement benefits

Met Office staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. However, since the Met Office is unable to identify its share of the underlying assets and liabilities it is accounted for as a defined contribution scheme. Contributions are paid at rates determined from time to time by the scheme's Actuary. The Scheme Actuary (Aon Hewitt Limited) conducted a full actuarial valuation as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (**www.civilservice.gov.uk**). Full provision for early retirements is normally made in the year of retirement.

Property, plant and equipment

Recognition

Plant, equipment and information technology expenditure is capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT). Networked minor computers and related equipment, which individually do not meet the criteria, have also been capitalised.

Certain meteorological equipment installed in commercial aircraft or at sea is not capitalised as it is outside the direct control of the Met Office and has an uncertain operational life.

Depreciation

Freehold land, assets in the course of construction and assets held for sale are not depreciated. Depreciation on other assets is calculated to write-off the cost, or value, by equal instalments over the asset's estimated useful life.

The lives assigned to the principal categories of assets are as follows:

Freehold buildings	Not exceeding 50 years
Plant and equipment	3-30 years
Fixtures and fittings (inc leasehold improvements)	5-25 years
Information technology	3-12 years

Intangible assets

Computer software and licences

Where computer software forms an integral part of any hardware equipment (e.g. an operating system) this is capitalised under the hardware asset as a tangible asset. Computer software and licences are capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT). Amortisation is calculated using the straight-line method to allocate the cost of software and licences over their estimated useful lives of three to five years.

Carbon reduction commitment licences

The Met Office participates in the Carbon Reduction Commitment Scheme. This gives rise to liabilities relating to carbon emitted by the Met Office. Under the scheme the Met Office purchases licences at a fixed cost to offset these emissions. Licences are surrendered after the end of the reporting period. As per guidance issued in the FReM these licences are held as intangible assets at cost as a proxy for fair value.

Impairment of non-financial assets

When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less cost to sell.

Financial instruments

Financial Assets

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount, and are subsequently carried at amortised cost less provisions made for doubtful receivables. Provisions are made specifically where there is evidence of a risk of non payment, taking into account ageing, previous losses experienced and general economic conditions.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and qualifying institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. Cash also includes any surplus funds held by EUMETSAT that are attributable to the Met Office.

Impairment of financial assets

The Met office assesses at the end of each reporting period whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the income statement. The impairment loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost.

Borrowings

Borrowings are recognised initially at the proceeds received. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. The substance of a financial instrument, rather than its legal form, governs its classification on the Met Office's Statement of Financial Position.

Derivative financial instruments and hedge accounting

The Met Office uses derivative financial instruments such as foreign currency contracts to hedge the risks associated with changes in foreign exchange rates in relation to amounts payable to certain international bodies.

The payments are in respect of annual subscriptions and contributions, including payments for satellite programmes. The Met Office policy is to buy forward foreign currency for payments to international bodies as soon as amounts can be reliably estimated. The

use of financial derivatives is governed by the Met Office's hedging strategy, approved by the Met Office Executive, which provides written principles on the use of financial derivatives consistent with the Met Office's risk management strategy. There is no trading activity in derivative financial instruments.

All the Met Office's derivative financial instruments are designated as cash flow hedging instruments. At the start of a hedging transaction, the Met Office documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Met Office also documents its assessment, both at the start of the hedging relationship and on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the cash flow of the hedged items.

To the extent that the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised directly in other comprehensive income rather than in the income statement. The ineffective portions of any gain or loss on the hedging instrument are recognised in the income statement.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Rents for those leasehold properties and vehicles which are held under operating leases are charged against profits.

The Met Office does not hold any assets under finance leases.

Capital and reserves

Public Dividend Capital
Public Dividend Capital represents the capital invested by the Ministry of Defence in the Met Office on becoming a Trading Fund on 1 April 1996. Following a Machinery of Government change during 2011/12, the Public Dividend Capital held by the Ministry of Defence was transferred to the Department for Business, Innovation & Skills. Public Dividend Capital is not an equity instrument as defined in IAS 32 Financial Instruments: Presentation.

General Reserve
The General Reserve represents the cumulative retained net income (after dividends) since the Met Office became a Trading Fund.

Revaluation Reserve
The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets. Increases arising on revaluation are taken to the Revaluation Reserve. A revaluation decrease is charged to the Revaluation Reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement.

Hedging Reserve
The Hedging Reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

2. Return on capital employed

Return on Capital Employed (ROCE) is a measure of how effectively an organisation is using its capital. It is calculated as operating profit, expressed as a percentage of average capital employed. Capital employed equates to capital, reserves and the long-term element of loans.

The table below shows the in-year and averaged ROCE over a five year period.

	2014/15	2013/14
Actual	5.1%	4.9%
Target - in year	5.2%	4.8%
Actual - five year average	4.9%	4.5%
Target - five year average	3.5%	3.5%

3. Operating segments

The Met Office has two reportable business segments: government business and commercial business. These are disclosed to enable the users of these financial statements to evaluate the nature and financial effects of the Met Office's business activities. Both operating segments derive their revenue from the provision of weather and climate services. The Met Office derives over 80% of its revenue from public sector bodies. No operating segments have been aggregated to form the above reportable segments.

Each segment has a Director who is responsible to the Chief Executive for the operating activities, financial results, forecasts and plans of their respective segments.

The Met Office's management evaluates performance of the segments based on segment revenue and operating profit. Operating profit is further evaluated between that generated from activities falling within or outside the business profitability business performance measure (BPM). The business profitability BPM represents the operating profit derived from services supplied to Government customers on a competed (or competable) basis, together with operating profits from commercial business.

Year ended 31 March 2015

	Revenue	Depreciation/ amortisation	Operating profit			Interest receivable	Interest payable
			Business growth BPM	Non-BPM	Total		
Operating segment:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Government business	187,375	35,157	3,068	14,935	18,003		
Commercial business	33,042	1,308	5,069	7	5,076		
	220,417	36,465	8,137	14,942	23,079		
Investment and other central income/expenses	378				(10,942)	159	(386)
Total per financial statements	220,795	36,465			12,137	159	(386)

Year ended 31 March 2014

	Revenue	Depreciation/ amortisation	Operating profit			Interest receivable	Interest payable
			Business growth BPM	Non-BPM	Total		
Operating segment:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Government business	175,453	28,141	2,444	14,078	16,522		
Commercial business	32,256	1,406	4,946	(59)	4,887		
	207,709	29,547	7,390	14,019	21,409		
Investment and other central income/expenses	409				(10,167)	113	(81)
Total per financial statements	208,118	29,547			11,242	113	(81)

The tables above reflect changes in the Business Growth BPM to include regulated aviation business.

Revenue includes £2,292,000 of income derived from EU contracts (2013/14 £1,928,000).

Government business

The Met Office provides a range of services to other public sector bodies including government departments and agencies. These services are gained either on a competed or non-competed basis.

The majority of the Met Office's non-competed services relate to the Met Office's public task, its role as the UK's National Meteorological Service and its support of the Ministry of Defence and other government departments in respect of weather and climate related services. Where data or products are required for the Met Office's commercial services which are not part of the Met Office's public task or the public task of other public bodies, they are supplied internally within the Met Office on the same terms and conditions as apply to external customers.

The operating profit derived from government business is evaluated between activities that are considered to be competed or competable and those that are non competed. Those services gained on a competed basis are included within the business performance measure for business profitability. The operating profit on non-competed services do not form part of the business profitability business performance measure. Government business is further analysed by revenue stream as follows:

	2014/15	2013/14
	£'000	**£'000**
Defence	33,037	32,259
Government strategic sectors	39,966	36,815
Public Weather Service	114,372	106,379
	187,375	**175,453**

Commercial business

The Met Office also provides a range of commercial weather and climate related services to a wide range of customers. All commercial business is secured on a competed basis, with revenue streams being derived from a number of different sectors including media, transport and consulting services to a number of other industries such as finance, engineering, construction, health and utility companies.

The operating profit derived from commercial business is included within the business profit business performance measure. Investment in commercial initiatives is excluded from the operating profit measure used in the business performance measure for business profitability.

Corporate and other central income/expenses

This line comprises items that are not part of the Met Office's operating segments but are required to reconcile to the income statement. It includes corporate items which are not allocated to operating segments, such as the cost of Met Office wide initiatives or capabilities that underpin all activities, interest receivable and payable. These items are managed at a corporate level.

No measure of assets or liabilities by segment are reported to the Chief Executive. Assets and liabilities are reported at a total corporate level and managed on that basis.

Geographical analysis

All revenue reported above is derived from external customers. There is no inter-segment revenue. More than 80% of Met Office revenue is derived from UK sources. The Met Office Executive does not review the business on a geographical basis. A geographical analysis would not be necessary to aid users' understanding of these financial statements.

4. Operating costs

	Note	2014/15 £ '000	2013/14 £ '000
Staff costs			
Salaries, performance related pay and allowances		75,218	72,710
Social security		6,177	5,935
Pension contributions	7	13,130	12,766
Early retirement and exit costs		128	(260)
Temporary/agency labour costs		4,919	4,031
Total staff costs	**7**	**99,572**	**95,182**
Equipment and services (net of government grant income)		42,255	39,129
International services and subscriptions	(i)	15,574	16,201
Depreciation (net of government grant income)		12,170	13,169
Amortisation		19,501	12,524
Accommodation		12,177	11,876
Travel and subsistence		5,123	5,171
Other operating costs		2,286	3,624
Total operating costs		**208,658**	**196,876**
Operating costs include the following:			
Audit fees		58	58
Operating leases - plant and machinery		249	981
Operating leases - other		979	915
Foreign currency losses		167	34
Net gain on disposal of non-current assets		(70)	(29)
Release of government grant income	(ii)	(5,236)	(4,383)
Research and development expenditure		49,687	45,014

(i) International services and subscriptions includes the following:

	2014/15 £'000	2013/14 £'000
European Organisation for the Exploitation of Meteorological Satellites	4,991	4,914
European Centre for Medium-Range Weather Forecasts	6,991	6,908
World Meteorological Organization	2,263	3,087
Network of European Meteorlogical Services	809	774

Membership of these organisations enables the Met Office, on behalf of the UK, to engage in and benefit from, the European meteorological satellite programme and to receive support in its provision of medium-range weather forecasts and associated research.Membership also enables the Met Office, on behalf of the UK, to promote and benefit from co-operations between members in the exchange of observational data and forecasts, together with a widening range of environmental programmes.

(ii) Government grants are analysed as follows:

	2014/15 £'000	2013/14 £'000
Department for Energy and Climate Change - current supercomputer	2,312	2,312
Department for the Environment Food and Rural Affairs - current supercomputer	1,095	1,095
Department for Business, Innovation & Skills - polar satellite transfer	791	-
Natural Environment Research Council - current supercomputer	512	458
Environment Agency - Weather Radar Network Renewal project	278	207
Department for Transport LIDAR project	248	311

5. Finance income

	2014/15	2013/14
	£ '000	£ '000
Interest receivable	159	113
Total finance income	**159**	**113**

6. Interest payable and similar charges

	2014/15	2013/14
	£ '000	£ '000
On Department for Business, Innovation & Skills loans repayable within five years	**323**	**55**
Discounting of provisions	**63**	**26**
Total interest payable and similar charges	**386**	**81**

7. Staff

(a) Average staff numbers

	2014/15	2013/14
	FTE	FTE
Permanent	1,965	1,929
Tempory/agency staff	59	61

(b) Pensions

Pension benefits are provided through the Civil Service pension arrangements. Met Office staff may choose to be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus): or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

For 2014/15, pursuant to the Superannuation Act 1972, employer's contributions of £13.1m were payable to the PCSPS (2013/14 £12.1m) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. For 2015/16, the salary bands will be revised but the rates will remain unchanged. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employer's contributions, paid to appointed stakeholder pension providers, and also to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees, were immaterial.

Further details about the Civil Service pension arrangements can be found at the website **www.civilservicepensionscheme.org.uk**

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at **www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/**

(c) Reporting of Civil Service and other compensation schemes - exit packages

Exit costs are accounted for in full in the year of departure, as follows:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £10,000	1	2	-	-	1	2
£10,000 - £25,000	-	3	2	1	2	4
£25,000 - £50,000	-	1	-	8	-	9
£50,000 - £100,000	-	4	1	7	1	11
£100,000 - £150,000	-	-	-	1	-	1
Total number of exit packages by type	1	10	3	17	4	27
Total cost £'000	**1**	**351**	**93**	**927**	**94**	**1,278**

The above figures represent exit packages agreed/paid during the year. They do not include provisions made for schemes where the final settlement is as yet unknown.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Met Office has agreed early retirements, the additional costs are met by the Organisation and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

(d) Directors' remuneration

Details of emoluments paid to members of the Met Office Board are contained within the Remuneration Report on pages 28 to 33.

8. Property, plant and equipment

The movements in each class of assets were:

	Land and buildings	Fixtures and fittings	Plant and equipment	Information technology	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2014	65,498	13,102	71,016	51,945	1,817	203,378
Additions	(16)	685	4,276	4,189	4,366	13,500
Transfers	-	-	1,334		(1,334)	-
Disposals	(2)	(8)	(2,683)	(2,053)	-	(4,746)
Revaluation	1,483	219	1,231	-	-	2,933
At 31 March 2015	**66,963**	**13,998**	**75,174**	**54,081**	**4,849**	**215,065**
Depreciation:						
At 1 April 2014	171	7,633	31,212	35,468	-	74,484
Charged during year	1,537	837	3,624	10,822	-	16,820
Impairment	-	-	-	-	-	-
Disposals	-	(8)	(2,515)	(1,996)	-	(4,519)
Revaluation	(1,437)	130	562	-	-	(745)
At 31 March 2015	271	8,592	32,883	44,294	-	86,041
Net book value:						
At 1 April 2014	**65,327**	**5,469**	**39,804**	**16,477**	**1,817**	**128,894**
At 31 March 2015	**66,692**	**5,406**	**42,291**	**9,787**	**4,849**	**129,025**

	Land and buildings	Fixtures and fittings	Plant and equipment	Information technology	Assets under construction	Total	Assets held for sale
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:							
At 1 April 2013	64,058	12,108	68,364	53,857	237	198,624	177
Additions	707	776	2,000	1,882	1,569	6,934	-
Transfers	-	-	(11)		11	-	-
Disposals	(127)	-	(592)	(3,794)	-	(4,513)	(177)
Revaluation	860	218	1,255	-	-	2,333	-
At 31 March 2014	**65,498**	**13,102**	**71,016**	**51,945**	**1,817**	**203,378**	**-**
Depreciation:							
At 1 April 2013	308	6,573	27,800	27,985	-	62,666	-
Charged during year	1,466	942	3,464	11,156	-	17,028	4
Impairment	-	-	-	-	-	-	-
Disposals	(127)	-	(581)	(3,673)	-	(4,381)	(4)
Revaluation	(1,476)	118	529		-	(829)	-
At 31 March 2014	**171**	**7,633**	**31,212**	**35,468**	**-**	**74,484**	**-**
Net book value:							
At 1 April 2013	**63,750**	**5,535**	**40,564**	**25,872**	**237**	**135,958**	**177**
At 31 March 2014	**65,327**	**5,469**	**39,804**	**16,477**	**1,817**	**128,894**	**-**

(i) All land and buildings are held as freehold. The net book value of freehold land and buildings includes £8.6 million of freehold land (31 March 2014, £8.1m) which has not been depreciated. Freehold buildings are depreciated in full over their estimated lives (not exceeding 50 years).

(ii) Fixtures and fittings include improvements to leasehold buildings and are depreciated over five to 25 years.

(iii) The freehold assets which comprise the Met Office's property portfolio were subject to a quinquennial valuation for financial reporting purposes in 2011/12 (values at at 31 March 2012), in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition) by external valuers Jones Lang LaSalle, a firm of property consultants who are regulated by the RICS.

(iv) Amounts for information technology in 2013/14 have been restated by £139k. Three assets were reclassified in year and are now included under intangible assets as software licenses.

The bases of valuation adopted are Market Value and Existing Use Value as defined in the standards. In carrying out the valuation, the majority of the assets are specialised and, as a result of their location and/or specification, are considered to be assets which would rarely, if ever, sell on the open market. As a result Jones Lang LaSalle has utilised Depreciated Replacement Cost methodology where appropriate.

The sources of information and assumptions made in producing the various valuations are set out in the valuation report. The overall valuation figure incorporated in the accounts is the aggregate of the individual asset valuations of the assets within the portfolio, produced for financial reporting purposes and not a valuation or apportioned valuation of the portfolio valued as a whole.

In 2014/15 assets have been revalued using various indices (see note 1 ('Property, plant and equipment') with the exception of the Exeter HQ building for which Jones Lang LaSalle carried out a 'desk-based' exercise to re-assess the valuation.

9. Intangible assets

	EUMETSAT Satellite data	Computer software	Software licences	EUMETSAT Payments on account	CRC licences	Total
	£ '000	£ '000	£ '000	£ '000	£'000	£ '000
Cost or valuation:						
At 1 April 2014	311,440	2,132	637	25,789	-	339,998
Additions	10,843	509	-	12,334	936	24,622
Disposals	-	-	(39)	-	-	(39)
Revaluation	5,366	-	-	-	-	5,366
At 31 March 2015	**327,648**	**2,641**	**598**	**38,123**	**936**	**369,947**
Amortisation:						
At 1 April 2014	269,823	1,246	370	-	-	271,439
Charged during year	19,162	302	94	-	-	19,558
Disposals	-	-	(33)	-	-	(33)
Revaluation	3,823	-	-	-	-	3,823
At 31 March 2015	**292,808**	**1,548**	**431**	**-**	**-**	**294,787**
Net book value:						
At 31 March 2014	**41,617**	**886**	**267**	**25,789**	**-**	**68,559**
At 31 March 2015	**34,841**	**1,093**	**167**	**38,123**	**936**	**75,160**

	EUMETSAT Satellite data	Computer software	Software licences	EUMETSAT Payments on account	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:					
At 1 April 2013	294,920	1,847	637	16,374	313,778
Additions	9,618	394	-	9,415	19,427
Disposals	-	(109)	-	-	(109)
Revaluation	6,902	-	-	-	6,902
At 31 March 2014	**311,440**	**2,132**	**637**	**25,789**	**339,998**
Amortisation:					
At 1 April 2013	**250,773**	**981**	**333**	**-**	**252,087**
Charged during year	12,214	273	37	-	12,524
Disposals	-	(8)	-	-	(8)
Revaluation	6,836	-	-	-	6,836
At 31 March 2014	**269,823**	**1,246**	**370**	**-**	**271,439**
Net book value:					
At 31 March 2013	**44,147**	**866**	**304**	**16,374**	**61,691**
At 31 March 2014	**41,617**	**886**	**267**	**25,789**	**68,559**

(i) The EUMETSAT satellite data intangible asset represents the value of all EUMETSAT observational data used in generating Met Office forecasts. This principally includes data from both the Meteosat geostationary satellite and polar orbiting satellite and the Met Office, as the UK's national meteorological service, has the right to access and use this data to generate its weather forecasts and climate predictions in fulfilling its Official Duty. The Met Office makes contributions on behalf of the UK to EUMETSAT's programmes.

(ii) EUMETSAT satellite data includes £5m representing the transfer of the European Polar Satellite (EPS) data asset from the Department for Business, Innovation & Skills in the last financial year. As the historic cost of the asset was grant funded, this is valued at value in use. The equivalent historic cost of this assets stands at £38.4m.

(iii) EUMETSAT payments on account represent the contributions made by the Met Office, on behalf of the UK, to the Meteosat Third Generation satellite programme. This programme is currently in the build phase and is not expected to provide operational data until 2019 at the earliest.

(iv) Amounts for information technology in 2013/14 have been restated and increased by £139k. Three assets were reclassified in year and were previously shown as information technology.

10. Inventories

	31 March 2015	31 March 2014
	£ '000	£ '000
Meteorological equipment	1,204	1,044
Reserve equipment	19	203
Consumable stores	33	35
Total inventories	**1,256**	**1,282**

11. Trade and other receivables

		31 March 2015	31 March 2014
	Note	£ '000	£ '000
Amounts falling due within one year:			
Trade receivables		21,690	10,013
Less: provision for impairment of receivables		(61)	(67)
		21,629	9,946
Other receivables	(i)	366	339
Accrued income	(ii)	5,130	9,322
Prepayments		18,340	15,348
Total trade and other receivables		**45,465**	**34,955**

The carrying amount of receivables and current assets is a reasonable approximation to fair value.

(i) Other receivables include staff loans totalling £342,000 to 149 employees predominantly in respect of housing advances on relocation and a cycle to work scheme (£399,000 and 105 employees at 31 March 2014).

(ii) Accrued income includes £554,000 relating to EU funding (£427,000 at 31 March 2014).

Intra-government balances

	31 March 2015	31 March 2014
	£ '000	£ '000
Balances with central government bodies	10,303	6,029
Balances with local authorities	333	588
Balances with NHS Trusts		-
Balances with public corporations and trading funds	122	548
Subtotal: intra-government balances	**10,758**	**7,165**
Balances with bodies external to government	34,707	27,790
Total trade receivables and other current assets at 31 March	45,465	**34,955**

12. Cash and cash equivalents

	Note	31 March 2015 £ '000	31 March 2014 £ '000
Balance at 1 April		71,756	38,851
Net change in cash and cash equivalent balances	19	(14,895)	32,905
Balance at 31 March		**56,861**	**71,756**
The following balances at 31 March were held at:			
UK Debt Management Office, HM Treasury		55,901	59,338
EUMETSAT working capital fund		6	2,115
Total cash held on short-term deposit		**55,907**	**61,453**
Cash held at commercial banks and in hand		954	10,303
Balance at 31 March		**56,861**	**71,756**

The Met Office holds five Euro bank accounts, in which there were amounts totalling £1,818,000 at 31 March 2015 belonging to third parties (31 March 2014, four accounts totalling £705,000).

They are held or controlled for the benefit of third parties on projects where the Met Office is the lead co-ordinator and are not included in Met Office cash balances or accounts.

Cash in transit at 31 March 2015 amounted to £653,000.

The Met Office Board has ring-fenced £5 million of the cash balances held at the UK Debt Management Office to meet the costs of any claims covered by the Met Office's decision to self-insure against professional indemnity claims.

13. Trade payables and other payables

	Note	31 March 2015 £ '000	31 March 2014 £ '000
Amounts falling due within one year:			
Trade payables		796	1,800
VAT		5,536	6,207
Other taxation and social security		3,259	3,176
Accruals		18,191	15,673
Dividend payable		8,500	9,538
Deferred income		13,888	13,185
Government grants	14	2,026	4,705
Total amounts falling due within one year		**52,197**	**54,284**
Amounts falling due after more than one year:			
Government grants	14	9,206	11,763
Total non-current trade and other payables		**9,206**	**11,673**
Total trade payables and other current liabilities		**61,403**	**66,047**

Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£ '000	£ '000	£ '000	£ '000
Balances with central government bodies	9,675	12,016	9,206	11,763
Balances with local authorities	110	115	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	2	-	-	-
Subtotal: intra-government balances	**9,787**	**12,131**	**9,206**	**11,763**
Balances with bodies external to government	**42,411**	**42,153**	-	-
Total trade payables and borrowings at 31 March	**52,198**	**54,284**	**9,206**	**11,763**

14. Government grants

	Note	31 March 2015	31 March 2014
		£ '000	£ '000
Government grants at 1 April		**16,468**	**12,320**
Grants received in year		0	8,531
Grants recognised through the Statement of comprehensive income	4	(5,236)	(4,383)
Government grants at 31 March		**11,232**	**16,468**
Amounts falling due within one year		2,026	4,705
Amounts falling due in more than one year		**9,206**	**11,763**
The following balances are included in government grants:			
		£'000	**£'000**
Department for Business, Innovation & Skills - polar satellite transfer		4,545	5,335
Environment Agency Weather Radar Network Renewal (WRNR) project		2,930	3,207
Department for Transport LIDAR project		2,440	2,686

The WRNR grants are repayable in full to the Environment Agency should the Met Office not deliver the agreed WRNR programme.

15. Borrowings

	31 March 2015	31 March 2014
	£ '000	£ '000
Loans due within:		
One year	1,271	1,092
One to five years	**4,677**	**4,528**
Over five years	4,996	6,380
Total	**10,944**	**12,000**

16. Derivative financial instruments

		31 March 2015		31 March 2014	
		Assets	Liabilities	Assets	Liabilities
		£ '000	£ '000	£ '000	£ '000
Forward foreign currency contracts - cash flow hedge		135	5,580	583	1,270
Analysed between:					
Current		135	4,042	583	578
Non-current		-	1,538	-	692
		135	**5,580**	**583**	**1,270**
The following table details the forward purchase currency contracts outstanding at the year end:	**Foreign currency Euro/CHF**	**Contract value**	**Fair value**	**Assets**	**Liabilities**
	'000	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Delivery 2015/16					
Euro	38,766	32,341	(4,042)	-	4,042
Swiss Francs (CHF)	3,500	2,338	135	135	-
		34,679	(3,907)	135	4,042
Delivery 2016/17					
Euro	21,000	16,969	(1,538)	-	1,538
Swiss Francs (CHF)	-	-	-	-	-
		16,969	(1,538)	-	1,538
Total		**51,648**	**(5,445)**	**135**	**5,580**

All cash flow hedges are in respect of forecast transactions. In line with IAS 39, gains or losses on effective cash flow hedges are held in equity; gains or losses relating to the ineffective portion of the hedge will be recognised in the statement of comprehensive income when the forecast transaction occurs.

17. Provisions for liabilities and charges

	Early retirement and exits	Dilapidations	Leaseholds	Total
	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2013	**2,097**	**370**	**652**	**3,119**
Provided (written back) in the year	(495)	(71)	(17)	(583)
Unwinding of discount	9	5	11	25
Change in discount rate	-	-	-	-
Utilised in year	(991)	-	(140)	(1,131)
Balance at 31 March 2014	**620**	**304**	**506**	**1,430**
Provided (written back) in the year	(478)	8	(16)	(486)
Unwinding of discount	2	12	8	22
Change in discount rate	-	-	42	42
Utilised in year	(23)	(58)	(114)	(195)
Balance at 31 March 2015	**121**	**266**	**426**	**813**
Discount rate 2013/14	1.8%	2.2%	2.2%	
Gross provision before discount as at 31 March 2014	**626**	**310**	**541**	
Discount rate 2014/15	1.3%	-1.5%	-1.5%	
Gross provision before discount as at 31 March 2015	**125**	**261**	**412**	

*CRCEES - Carbon Reduction Commitment Energy Efficiency Scheme

i) The early retirement and exit provision represents the outstanding liability for pension and severance costs as at 31 March 2015. For staff offered early retirement, the provision represents the full cost of meeting each individual's pension payments to normal retirement age. There is some uncertainty on timing and amounts of payments relating to amounts provided in-year where final exit terms have not yet been agreed with affected staff.

(ii) The dilapidations provision relates to contractual future costs of making good leasehold properties when they are vacated. Discounting has been applied where payments are due in more than one year. There is no uncertainty as to the timing of amounts but the final amounts may change during final negotiations with the relevant landlord at the end of the lease.

(iii) The leaseholds provision is principally in respect of future cost of leasehold properties, which became surplus to requirements on relocation to Exeter.

(iv) Amounts due under the Carbon Reduction Energy Efficiency Scheme are now included as accruals within trade payables, due to greater certainty over the amount and timing of payments.

	Early retirement	Dilapidations	Leaseholds	Total
	£ '000	£ '000	£ '000	£ '000
Amounts payable within:				
Under one year	49	-	-	49
One to five years	52	266	223	541
Over five years	20	-	203	223
Total	**121**	**266**	**426**	**813**

18. Related parties

The Met Office's parent department is the Department for Business, Innovation & Skills (BIS). BIS is considered to be a related party and during the year the Met Office had material transactions with BIS and with other entities for which BIS is regarded as parent department. In addition, the Met Office had material transactions with a number of other public bodies, Government departments and their agencies, principally the Department of Energy and Climate Change, the Department for Environment, Food and Rural Affairs, the Cabinet Office, the Civil Aviation Authority, the Maritime and Coastguard Agency, the Environment Agency, the British Broadcasting Corporation and the Natural Environment Research Council. None of the Met Office Board members, key managerial staff or other related parties undertook any material transactions with the Met Office during the year.

Rob Varley through his capacity as Met Office Chief Executive is a Council / Executive Committee member of the following organisations: EUMETSAT, ECMWF, WMO and EUMETNET. The same was true for John Hirst while he was Chief Executive. The Met Office has had material transactions with these entities and these are disclosed in note 4(ii) to the financial statements. There are no outstanding balances with these organisations as at 31 March 2015 (2014 - nil).

Michael Harrison acted as Met Office Non Executive Director during the year and is also an employee of our owning department (BIS), within the Shareholder Executive (ShEx).

19. Notes to the cash flow statement

Reconciliation of cash and cash equivalents to movement in net funds

	At 1 April 2014	Cash flows	At 31 March 2015
	£ '000	£ '000	£ '000
Cash at bank and in hand	10,303	(9,349)	954
Cash on deposit	61,453	(5,546)	55,907
Cash and cash equivalents	71,756	(14,895)	56,861
Borrowings due within one year	(1,092)	(179)	(1,271)
Borrowings due after one year	(10,908)	1,235	(9,673)
Total net funds	**59,756**	**(13,839)**	**45,917**

20. Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods

	Land and buildings		Other	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£ '000	£ '000	£ '000	£ '000
Leases expiring within:				
One year	878	937	588	1,665
One to five years	1,136	1,148	223	8
Over five years	1,144	1,336		-
Total trade payables and borrowings at 31 March	**3,158**	**3,421**	**811**	**1,673**

21. Capital commitments

	31 March 2015	31 March 2014
	£ '000	£ '000
Contracted for but not provided for:		
High Performance Computing	67,069	-
Information technology	166	320
Observations equipment	766	932
Property works	319	1,512
Contributions for satellite data	21,563	14,173
Total	89,883	16,937

Commitments for installation of the new HPC will be met from grant funding provided by BIS in future years. The commitment for satellite data represents the unpaid portion of the UK approved contribution to EUMETSAT programmes for the current calendar year. Future payments are subject to annual approval by the EUMETSAT Council.

22. Losses and special payments

During the year there were no significant losses or special payments.

23. Financial instruments and financial risk management

The Met Office's treasury operations are governed by the Met Office Trading Fund Order 1996, under the Government Trading Funds Act 1973 as supplemented by the Met Office's Framework Document. The Met Office's financial instruments comprise cash deposits, receivables, payables, loans and foreign currency forward exchange contracts. The main purpose of these financial instruments is to finance the Met Office's operations. The Met Office has limited powers to borrow or invest surplus funds. The main risks arising from the Met Office's financial instruments are foreign currency, liquidity and interest rate risks. The Met Office's policies for managing these risks are set to achieve compliance with the regulatory framework including the rules contained within Managing Public Money.

Credit risk

The Met Office is subject to some credit risk. The carrying amount of trade receivables, which is net of impairment losses (bad debt provision), represents the Met Office's maximum exposure to credit risk. Trade and other receivables consist of a large number of diverse government and non-government customers spread over a diverse geographical area.

Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable including the probability that customers will enter bankruptcy or financial reorganisation, that the customer is facing financial difficulties or that economic conditions are likely to lead to non-payment. The following provides details of trade receivables beyond the due date and impairments made:

	As at 31 March 2015			As at 31 March 2014		
Trade receivables beyond the due date:	**0-3 months**	**3-6 months**	**Over 6 months**	**0-3 months**	**3-6 months**	**Over 6 months**
	£ '000	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Receivables beyond the due date - not impaired	1,283	8	45	1,343	4	36
Receivables beyond the due date - impaired	18	3	2	14	-	-
Total receivables beyond the due date	1,301	11	47	1,357	4	36

Liquidity risk

The Met Office maintains short-term liquidity throughout the year by management of its cash deposits. The Met Office aims to maintain cash levels to allow it to meets its short-term obligations. The Met Office follows Treasury rules by investing all surplus funds on deposit with the UK Debt Management Office at HM Treasury.

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, the Department for Business, Innovation & Skills. Therefore, exposure to liquidity risk is limited to these arrangements. Loan funding requirements are anticipated to increase over forthcoming years to finance the UK contribution to the EUMETSAT satellite programme, and additional supercomputing investment, in line with our current corporate plan.

Foreign currency risk

The Met Office makes significant foreign currency payments for subscriptions and contributions to international meteorological organisations including payments for satellite programmes. These costs are funded by the Public Weather Service. In order to manage foreign exchange risk the Met Office policy is to buy forward foreign currency for payments to international bodies as soon as amounts can be reliably estimated. The forward currency contracts are in hedging relationships under IAS 39 and the Met Office has elected to adopt IAS 39 hedge accounting rules.

Details of forward contracts held can be found in note 16.

£12.6 million of expenditure is undertaken in foreign currencies which are not funded through the forward purchase contracts.

23. Financial instruments and financial risk management (continued)

Interest rate risk

The Met Office finances its operations through retained profits. Amounts retained in the business but surplus to immediate requirements are deposited in short-term interest-bearing accounts with the UK Debt Management Office at HM Treasury. The Met Office may also be funded by additional monies from its sponsor department to fund specific strategic requirements.

Details of cash on deposit are included in note 12. The fair values of cash and cash equivalents approximate to book value due to their short maturities.

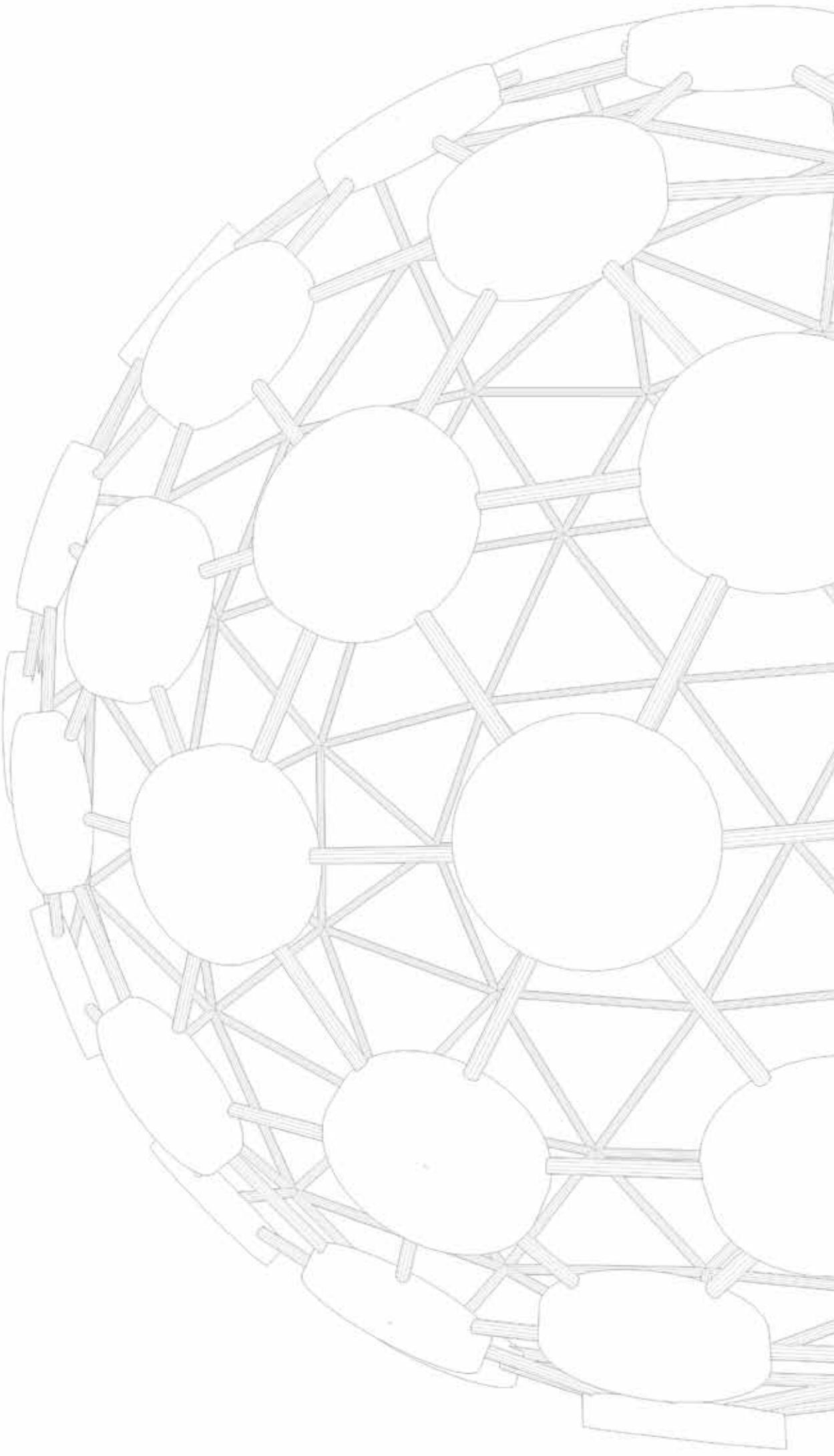
Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in note 1 to the financial statements.

24. Authorisation of Accounts

IAS 10 requires the Met Office to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts were certified by the Comptroller and Auditor General.

Five-year financial summary (unaudited)	2014/15	2013/14	2012/13	2011/12	2010/11
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Revenue	220,795	208,118	204,929	196,212	196,118
Operating profit/(loss)	12,137	11,242	12,341	9,126	9,422
Profit for the financial year	11,910	11,274	12,396	9,197	9,385
Dividend	8,462	9,538	7,630	7,666	8,200
Capital expenditure					
Property, plant and equipment asset additions (restated)	13,500	6,934	9,621	27,360	7,109
Intangible asset additions	24,622	19,427	13,328	14,297	10,737
Statement of Financial Position					
Total non-current assets	204,185	197,453	198,611	201,065	169,334
Net current assets	46,157	51,798	34,769	24,544	35,117
Non-current liabilities	21,180	23,969	10,399	13,768	7,054
Number of employees					
Average for year	1,965	1,929	1,878	1,850	1,862



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