24 HOURS IN THE
LIFE OF METSERVICE

ANNUAL
REPORT 2012

MetService

MetraWeather

24

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RISE & SHINE FOR CHANNEL NINE

Weather communications advisor sends final scripts and graphics to Australia's Nine Network.

MetService Weather Communications Advisors are behind-the-scenes specialists, working to ensure TV weather reports are clear and concise. They prepare the scripts and graphics, including tropical cyclone data, for TV weather presenters across New Zealand, Australia, Asia and the Pacific.

6:07AM

ROAD MARKING FORECASTS

Damar Industries contractors check the road marking forecast

Road marking paint is made and applied according to highly technical specifications so it lasts throughout the seasons. It's crucial that paint is applied at the right time and in the right conditions. Damar Industries use MetService-developed road marking forecasts – industry algorithms applied to every MetService spot forecast to generate more than 50,000 forecasts a day. Coloured icons show contractors the best road paint to use at any hour for 200 locations around the country.

6:30AM

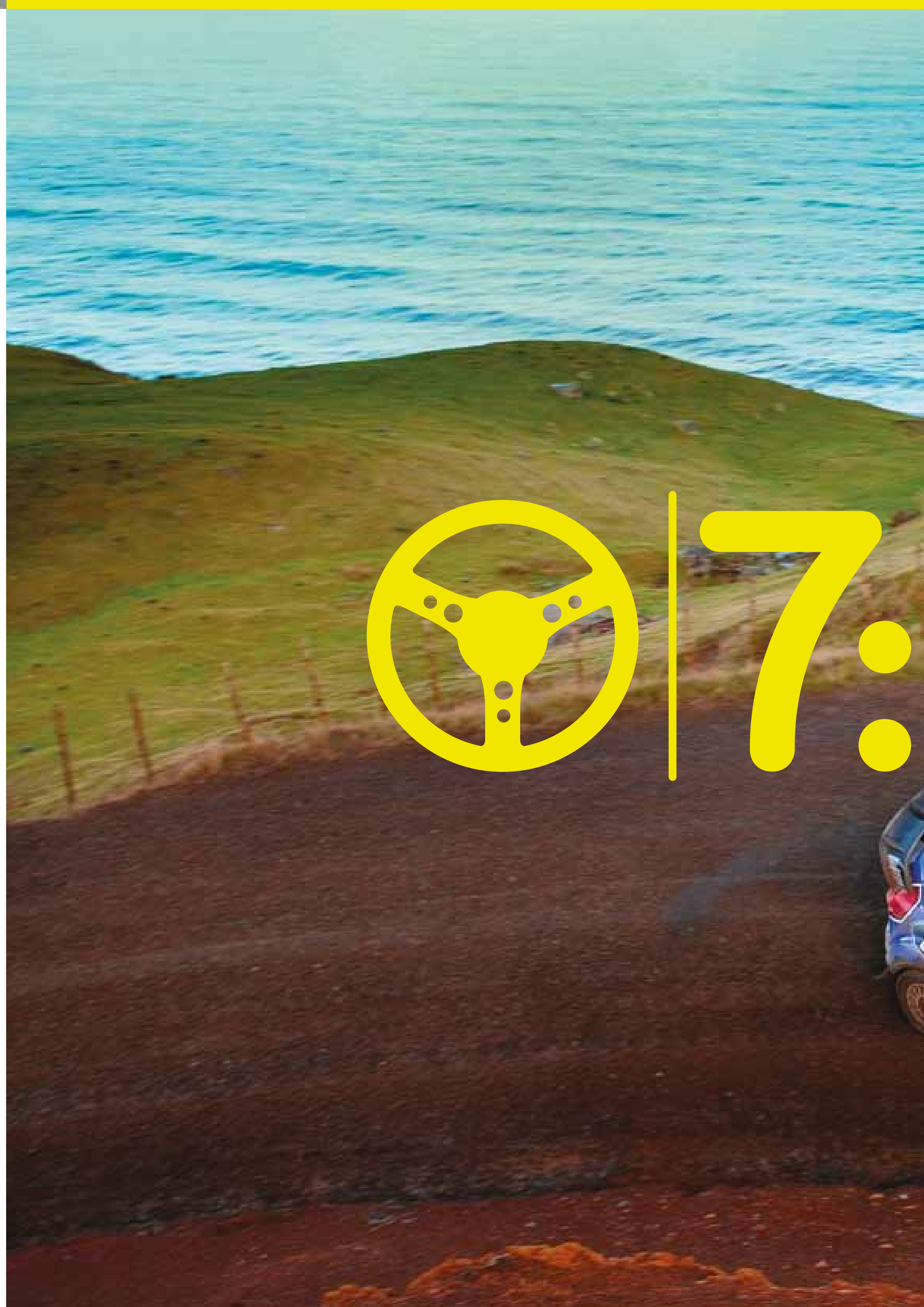
The alarm rings for workers around New Zealand. Their first thoughts: "What will I wear? Will it rain when I'm out for my lunchtime walk?"

6:43AM

Even before we dress, we need to know what the weather's doing so we can plan for the day. MetService's smartphone app comes to the rescue.

7:35AM

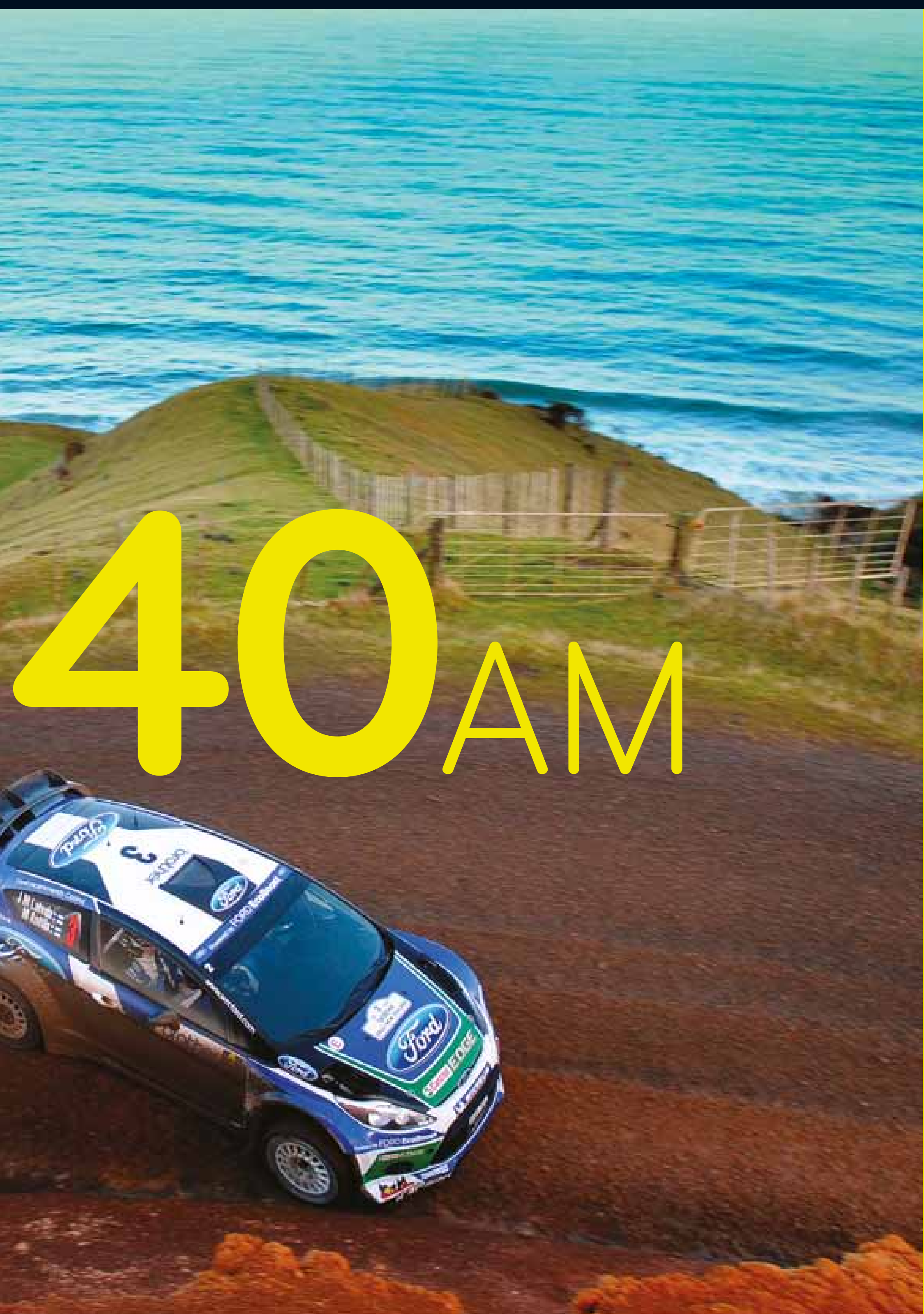
Armed with the latest weather information, including real-time rain radar and hourly forecasts, we can all be prepared as we walk out the door.



6:30AM ACROSS THE DITCH

Wellington forecasters prepare daily ski-field forecasts for Australia's Weather Channel

Weather Channel viewers get their forecasts for more than 500 Australian locations, including Thredbo and Perisher ski-fields, from MetService meteorologists in Wellington, New Zealand.



7:40AM RUBBER & GRAVEL

World Rally teams keep a close eye on the weather for the next stage of the race

The World Rally Championship pits cars and drivers against some of the toughest and most varied conditions in the world. For New Zealand's round of the FIA World Rally Championship, the teams used MetService forecaster briefings and its online weather portal, MetConnect, to anticipate local driving conditions.

When MetService severe weather forecaster and rally fan John Crouch was given a pit pass by the M-Sport Ford rally team, Crouch got to observe the cars and teams up close. The Ford team benefitted too – from his personal weather briefing. Crouch is one of the MetService's top forecasters and an expert in rain radar. The radar was a vital tool for the Ford team, enabling them to select the best tyres for the local road conditions.

7:48AM

IT'S BUSINESS TIME

Business traveller in the Koru Lounge checks the weather on the media display

Twenty4media provides on-screen news, sports, weather and current affairs in Air New Zealand's Koru Club lounges. MetService's Weatherscape Clip system automatically generates Twenty4Media's weather information updates and forecasts throughout the day, on KoruWeather.

8:03AM

MetService's comprehensive network of weather stations around New Zealand includes automatic stations at airports, along roads, on ships and on floating buoys, and the eight massive Doppler radar domes at remote sites which monitor rain and storms hundreds of miles away.

8:17AM

MetService's team of engineers build,calibrate and maintain every station.

9:05AM

Ongoing investment in this network ensures the latest observing technology and long-term sustainability. MetService engineers also provide technical assistance to Pacific Island National Meteorological Services.

10:19AM

CLOUDS, PAUSE, ENGAGE

The All Blacks get a weather update ahead of tonight's international

As the official weather forecaster to the All Blacks and other national teams, MetService provides the New Zealand Rugby Union with 24/7 access to its MetConnect weather information portal, plus tailored briefings in the three-day lead up to all international matches, at home or overseas. Briefings are also provided for Super Rugby and ITM Cup finals and any other games where severe weather is likely.

8:47AM

THE 'NOD'

The forecast team are already deep in discussion about today's weather outlook

Forecasting is a systematic process, first looking at large-scale weather patterns across the Southern Hemisphere, and then assessing global models from the Earth's surface up to jet-level. The best-performing model is then used to produce forecast charts for the day. Every MetService forecast must get 'the nod' – consensus from a whole team of meteorologists at twice-daily meetings – before it goes out. 'Nodding' is a uniquely Kiwi approach that's recognised internationally for its effectiveness.

10:25AM ENERGY TRADING EDGE

Energy trader calls MetraWeather for an ad-hoc briefing

Australia's energy traders need high-quality, timely weather information to ensure they make effective trading decisions in the volatile electricity and natural gas markets. MetraWeather provides its energy trading clients with a suite of services, from 14-day and four-week out to seasonal forecasts, and access to MetraWeather's local consultant meteorologist who provides extra briefings when needed. Traders are able to take into account data ranging from the real-time forecast to that for six months ahead.

MetraWeather's Sydney team works with clients throughout Australia's energy industry to provide bespoke forecast solutions, knowing that strong understanding of weather prediction gives them a competitive edge.

MetraWeather's ePD (enhanced Probability Distribution) forecasting system is the starting point, designed to use all available information and adapt to new information, without relying on any single source. From there MetraWeather has built a range of products and services to meet energy sector needs around the globe, from generation and retailing, load control and emergency repairs, to trading and risk management.

11:30AM DAN THE WEATHERMAN

Recording underway for MetService TV

MetService works closely with New Zealand's TV networks on their all-important evening weather bulletins. MetService TV, launched this year, was an opportunity to complement that work and share more expertise direct with the public. On metservice.com and MetService's smartphone apps, the new video channel provides 24-hour access to in-depth forecasting, interpretation and insights straight from the forecast room.

MetService's Media and Communications Meteorologist, Dan Corbett, leads the team presenting the new weather channel, offering detailed commentary and video forecasts. Corbett is a highly experienced broadcast meteorologist, formerly with UK Met Office as one of the BBC's main weather presenters. He has also worked in the US, forecasting in 'Tornado Alley', Texas.

Combining the expertise of its meteorologist, communications, media and interactive teams, MetService TV brings weather information to life, direct to New Zealanders wherever they are.

11:50AM

THE MESSENGER

MetService's outward message queues clock up 86,000 messages for the day

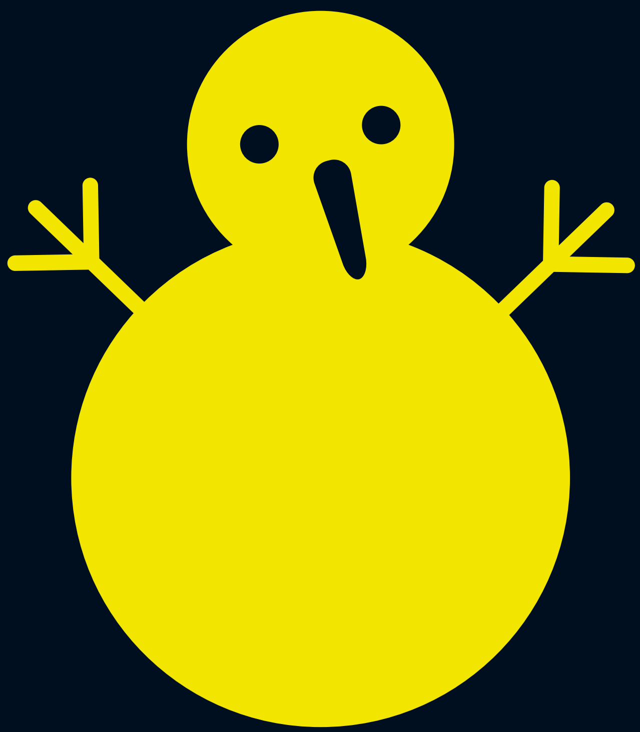
At any hour of the day or night, accurate and timely weather data leaves MetService's Kelburn headquarters to inform the decisions of customers around the world, from the national aviation industry, to a UK power company, to a Canterbury farmer.

1:47PM

LIGHTNING FAST

Lighting alert at the Tiwai Point aluminium smelter

Aluminium dust in the air can pose a severe explosion hazard in the presence of lightning. MetService provides vital lightning forecasting and detection services to Tiwai Point so they can shut down operations in time to prevent safety issues.



2:39PM

POWDER WATCH

Skiers and snowboarders get their Powder Watch email

This free service available on metservice.com provides the latest forecasts for ski-fields around the country. Skiers can also choose to receive a Powder Alert email when fresh snow falls on their favourite fields. And, on the drive up the mountain, MetService's mobile website has three hourly ski-field updates, webcams and more.

3:00PM

WEATHER POWERED

UK power stations receive the first of four daily MetraWeather forecasts

The power industry is under increasing pressure to provide energy more efficiently. MetraWeather's high-resolution forecasts can help calculate demand and allow combined cycled gas turbine stations throughout the UK to optimise their performance.

3:30PM SNOW RUMBLE

Avalanche control programme

The South Island's scenic State Highway 54 crosses more than 85 avalanche paths, making it one of the most dangerous high-use public roads in the world. The 'dry' avalanches along the 17km stretch from Falls Creek to The Chasm, on the Milford Sound side of the Homer Tunnel, are particularly hazardous: they are fast-moving and release a lethal blast of compressed air. The highway is also the only link to Milford Sound, New Zealand's top tourist destination.

In 1983, Downers EDI Works teamed up with MetService to develop an internationally renowned avalanche control programme to predict avalanches and save lives.

The programme is a world-first, using six local weather stations, four at high altitude and two at road level, transmitting weather and snow details around the clock. Even tiny changes in the data can indicate an avalanche.

Scientists use this information to monitor the risk and ensure travellers' safety. As a result, there have been no avalanche fatalities for more than a decade. The highway, crucial to the survival of the tourism and commercial fishing industries, used to be closed from May to September, but with the combined expertise of Downers and MetService, it is now open almost all year round.

4:43PM

The latest communications technology is bringing forecasts to the public faster than ever before.

4:48PM

When MetService meteorologists see a small but intense hail storm approaching Wellington's South Coast, they immediately tweet from @MetService, sparking a frenzy of activity on Twitter.

5:15PM

Customers can also use the MetService app on their smartphone to check the rain radar, forecasts, warnings and traffic conditions.

6:30PM
THE RACE IS ON

MetService's Christchurch-based media graphics team do more than supply weather information to newspapers around the world. They're also industry experts at ensuring complex, last-minute information, such as sudden changes to the TAB odds and rapid stock market rises, gets into the newspapers on deadline.

5:46PM
FAST TRADER WEATHER

FAST Trader customers receive the first of several daily weather reports

The superior accuracy and rapid delivery of temperature forecasts from MetraWeather's FAST Trader system provides UK energy traders with greater confidence when placing their trades. FAST Trader customers receive regular written and video briefings, online information and phone access to MetraWeather's UK team of meteorologists.

4:06AM
THE WILD SOUTH

Storm warning issued for Puysegur coastal area

On the south-western tip of the South Island, the Puysegur area is New Zealand's windiest stretch of coast. With a fishing fleet based in nearby Bluff and increasing numbers of cruise ships visiting Fiordland and Stewart Island, a 24/7 weather watch is crucial. MetService monitors New Zealand's entire coastline and updates can be issued any time. National warnings for severe weather are delivered to Civil Defence, police, regional councils, all national media and through our website, email and Twitter accounts.

10:20PM TROPICAL SKIES

Weatherscape XT in Aksyon in the Philippines

Faced with regular typhoons, tropical storms and monsoons, Filipinos' safety and livelihoods can depend on accurate weather reports. MetraWeather's weather graphics and virtual reality display system, Weatherscape XT, is being used to provide locals with clear and easy to understand information.

TV5's Aksyon live news show uses Weatherscape XT to show projected storm tracks, wind direction, rain volume and water conditions across the country. It is used by many of the world's broadcasters, including the BBC, The Weather Channel and Sky.

TV5's new-look weather reports have attracted praise from the Philippines' national weather bureau, PAGASA. Bureau Chief, Dr Nathaniel Servando says: "TV5's continuing improvement in their weather broadcasting system, and closer cooperation with PAGASA, will contribute significantly to the reduction of damages and casualties due to severe weather events." Weatherscape XT is also used for TV5's online and mobile services.

TV5's satellite TV provider, CIGNAL, recently launched the Weather Information Network, the country's first 24/7 weather and public information channel, expanding their use of Weatherscape XT to provide traffic, financial and other environmental information.

11:00PM
Dubai's Al Aan TV receives the latest weather clips
A Dubai-based free-to-air pan-Arab channel targeting Arab women, Al Aan TV has a fast-paced format. The use of pre-rendered Weatherscape clips makes presentation of local and international weather quick to air and easy to understand for viewers.

2:07AM
The team at the Southern Hemisphere Proving Grounds check the snow forecast
During the Northern Hemisphere summer, large car manufacturers travel to the Southern Hemisphere Proving Grounds (SHPG) in the Southern Alps to test their new cars on special ice tracks. In the competitive automotive industry, off-season winter testing has become increasingly important. SHPG make the most of their facilities with tailored weather forecasts from MetService's commercial online weather portal, MetConnect.

3:45AM
Wind turbine operators in the UK and Ireland receive MetraWeather wind forecasts
Forecasting wind power is an exacting science. SSE plc is one of the leading energy generation companies in the United Kingdom that MetraWeather provides with detailed hourly wind forecasts for turbines all over the UK and Ireland. Forecasts are used to calculate daily output, schedule maintenance, and plan for severe weather events.

4:00AM
MetraWeather scripts arrive for Ireland's TG4 evening weather broadcast
MetraWeather's new UK office, on campus at the University of Reading, brings a local angle to products and services across Europe and the Middle East. Their UK meteorologists work closely with clients in the retail, energy and media sectors.


4:3

7AM

4:37AM
ONCE MORE AROUND THE CLOCK

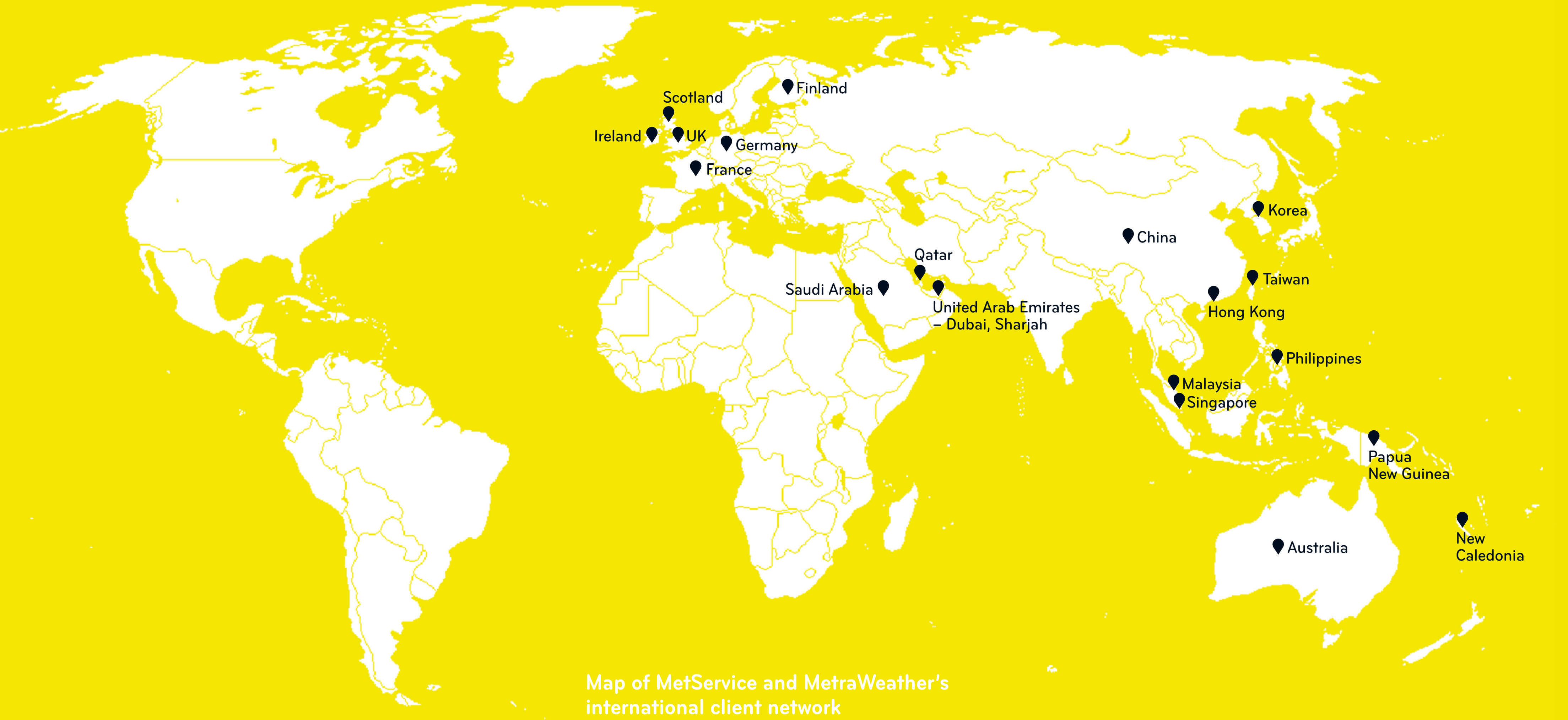
It's already late afternoon in Galway, and well into the evening in Finland and Dubai. Forecasts have been and gone for clients at the far edges of MetraWeather's international network, while New Zealand forecast room night shifts have hours to run yet.

Weather never sleeps and neither does MetService: delivering 'powerful weather intelligence' 24 hours a day, 365 days a year.

365

WHO WE ARE

Our work impacts on almost every aspect of daily life. From the storm warning that safeguards a fishing fleet, to forecasts that help power companies meet demand, to a commuter's decision to wear a coat, MetService is New Zealand's weather authority, 24 hours a day, 365 days a year.



Map of MetService and MetraWeather's international client network

We are also a global leader in providing innovative weather information services, contributing to the bottom line of businesses and the wellbeing of millions of people around the world.

We operate as a commercially successful, international organisation with more than 240 employees in New Zealand, Australia, Asia and Europe. As MetService within New Zealand and exporting to the world as MetraWeather, the expertise and research of our team of world-class meteorologists and technologists is at the heart of everything we do. We combine scientific rigour with a drive to create ground-breaking new products and services that redefine the weather industry and create wealth for our customers. We call this delivering 'powerful weather intelligence'.

What we stand for
An unrelenting approach to accuracy, quality and consistency underpins everything we do – lives and businesses depend on it. Our meteorological expertise and team of dedicated professionals reflect our combination of scientific precision and game-changing, innovative thinking. MetService is a rewarding place to work. We attract talented people from all around the world who share our goals of providing professional meteorological judgement, technologically advanced processes and an agile approach to creating innovative and insightful solutions for our customers. In all our relationships, with our employees, with the environment, the community and our customers, we aim to operate in a socially responsible manner.

What we do
MetService provides comprehensive weather information services, 24 hours a day, 365 days a year. Our national weather forecasts are vital to the public and we are constantly enhancing and improving their delivery. We provide ground-breaking products and services that give a competitive edge to local and international businesses in the energy, media, transport, resources, industry, infrastructure and retail sectors.

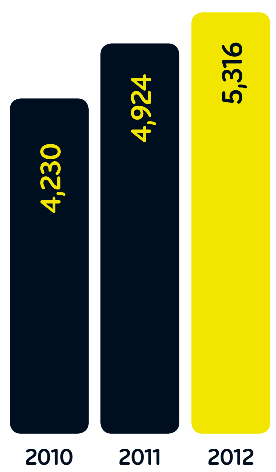
Our services assist:

- Transport authorities and airlines to keep roads safe and planes flying
- Energy providers to ensure power is available to homes and businesses, regardless of the season
- TV broadcasters to produce accurate, visually stunning and easy-to-understand weather bulletins
- Retailers to plan stock levels and logistics ahead of customer demand
- Emergency and civil defence services to stay up to date in times of severe weather
- Regional councils to manage their water resources
- Farmers to plan when to plant and harvest crops and move stock to shelter
- Fishermen, boaties, water sport enthusiasts and divers to stay safe
- Resources companies to manage their planning, monitoring and day-to-day operations
- Builders to plan outdoor work around the weather
- Energy traders to make fast and effective trading decisions ahead of the market
- Sports teams to plan training and game-time tactics
- Reporters to bring you the latest weather news as it happens
- All of us to plan our outdoor, recreational and weekend activities.

PERFOR-MANCE OVERVIEW

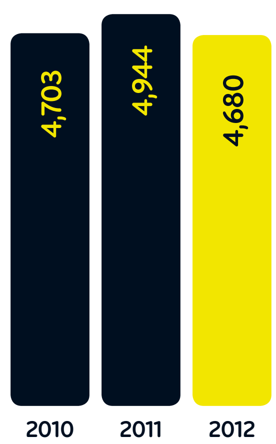
2011/12 has been a year of consolidation for MetService, preparing the Company for a new phase of growth. MetService Group revenue continues to increase year on year, reaching $42.2 million for 2011/12 up from $39.2 million last year: a 7.7% increase. 2011/12 operating profit was $4.68 million, before one-off adjustments.

Depreciation ($000)

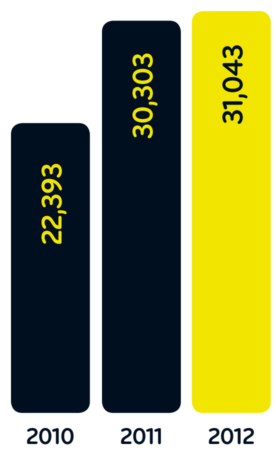


EBITDA ($000)

Operating profit before one-off adjustments ($000)

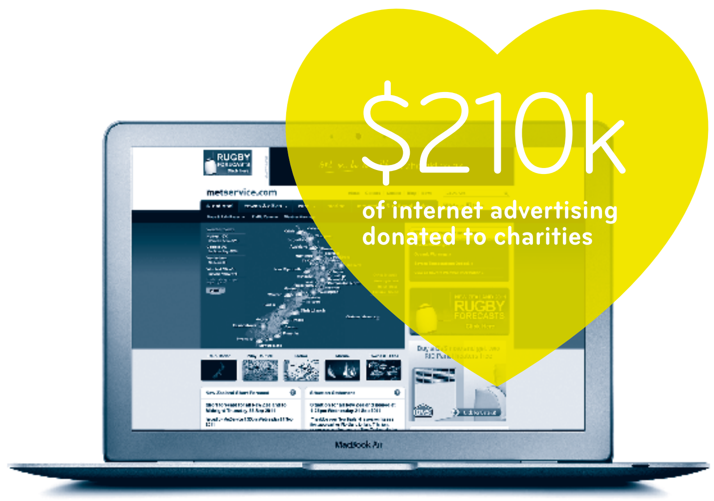


Book value of assets ($000)



7.4 % Return on Equity 2011/12

7.7 % Return on Funds Employed 2011/12



Renewed focus on core strengths
Launched internationally at the end of the year, a new brand strategy of 'Powerful Weather Intelligence' has been developed to support the organisation's fresh focus on leveraging its unique core strengths to drive an increase in profitable revenue. A decision was also taken to discontinue some software development projects in order to invest in infrastructure and new opportunities that better support the achievement of this strategy.

This renewed focus on profitability is particularly important within the context of MetService's single biggest contract – providing public weather services to New Zealanders on behalf of the Ministry of Transport – which is delivering significantly reduced margins year-on-year. This creates considerable challenges for managing the balance between cost control and maintaining forecasting capability and provision of essential services.

Weather is big news in Asia
MetService's presence in Asia under its MetraWeather subsidiary brand expanded rapidly in 2011/12, with revenue growth of 239% year-on-year across that region. Driven by multiple new clients, particularly in Asia, installations of our market-leading television and media weather visualisation software averaged almost one a month around the globe over the 2011/12 year. As well as renewing two key clients in Asia, the region grew with major new clients in Korea (MBN, TV Chosun, Yonhap, Joong Ang, and Dong A), Hong Kong (TVB), Taiwan (ERA) and the Philippines (Solar TV). Solar went live on 18 June to coincide with Typhoon Butchoy, enabling them to showcase Weatherscape's typhoon tracking capabilities and latest touch screen show. Another significant win for the company was Dubai TV in the Middle East, which launched its new weather show in January 2012. Weatherscape XT's dominance of the Australian and New Zealand television markets continues, with the addition of Australia's Network Ten to the large group of leading broadcasters using our state-of-the-art weather presentation graphics system.

Strong growth in interactive sales
metservice.com continues to be one of New Zealand's favourite websites, with 620,000 people visiting the site in June 2012*. Off the back of the site's huge popularity, ongoing enhancements and the advertising sales function being brought back in-house late in 2011, internet advertising sales performed very strongly. Full year sales were 42% above the previous year, well ahead of the industry average. $210,000 in advertising value was also donated to charities in the 2011/12 year (up 86% on last year). New smartphone applications were launched for iPhone and Android in the last month of the year, based on a purchase model. This followed release of an iPad application earlier in the year, available free with advertising or ad-free if purchased.

*Source: Nielsen Online Ratings June 2012 (Top NZ Sites – Visitors, All Sites).

Aviation sales ride out turbulent markets
Despite continued economic uncertainty in long-haul markets and ongoing readjustment of routes and capacity among regional carriers, we enjoyed another satisfactory year with our Aviation business unit. This reflects the in-depth understanding and strong working relationships that MetService has developed with the industry over the years.

Energy sales led by growing Australian presence
Our share of the Australian energy market continues to increase on the back of MetraWeather's impressive weather forecasting accuracy, spearheaded by the appointment of a new Sydney-based GM Sales Australia/New Zealand with particular expertise in this key sector. Highlights included the introduction of our FAST Trader rapid-update trading service into the Australian market. The renewal of a significant European energy contract and a major new FAST Trader sale were key highlights of our activity in a challenging European energy market. Meanwhile, in New Zealand, our in-depth understanding of the energy sector's unique needs resulted in a number of innovations, including provision of in-house forecasting consultancy to a key client in 2011/12.

Operating expenses
Operating expenses over the year have increased to $39.8 million, up from $34.1 million. The major drivers were:

- Software impairment: a one-off impairment adjustment of $2.2 million was made for software development in progress.
- Depreciation: MetService's long-term infrastructure investment programme began five years ago, with a programme of upgrades to both its weather network assets and its IT infrastructure. The result is a compounding depreciation effect on the Company's operating costs: $5.3 million this year, compared with $3.0 million four years ago.

MetService's EBITDA for the 2011/12 year has fallen compared with last year: a decrease of $2.1 million to $7.8 million. Net surplus was $1.1m.

MetService's return on equity was 7.4% for the year (23.1% in 2010/11). Its return on funds employed was 7.7% (19.4% in 2010/11).

MetService employed 241 full time equivalent employees as at 30 June 2012.

YEAR IN REVIEW

Peter Lennox,
MetService's Chief Executive.

150 years young
August 2011 marked the 150th anniversary of MetService. To celebrate the significance of this event and the role weather has played in the nation's history, MetService has launched the iwonderweather.co.nz website – an ongoing project to gather together stories, images, video and audio that capture New Zealand's key weather moments. We've also created the MetService Alumni programme to recognise those who have made a significant contribution to MetService's reputation through their career. Our first three Alumni are former chief meteorologist and executive team member Dr Neil Gordon; former weather ambassador Bob McDavitt; and TVNZ weather presenter (and former MetService weather observer) Karen Olsen.

A new brand strategy
Near the start of the year, we launched a reinvigorated vision: to be recognised as the global leader in local weather. We also initiated our Focused Growth Strategy, designed to strengthen the base of our company and drive growth. This strategic refresh was the ideal opportunity to review the positioning of our company brands and develop a new strategy to leverage the unique strengths of both brands to achieve our growth ambitions. This year's annual report, '24', showcases real examples of how MetService and MetraWeather (the new name for Metra) deliver on our new positioning of 'Powerful Weather Intelligence': keeping our customers and stakeholders ahead by delivering the weather insights they need.

Increased focus on proactive communication
Over the past two years, MetService has developed a strong reputation for its use of social media to engage with the public. Our social media approach is to be proactive with our weather knowledge and insights, and responsive to feedback, questions and comments. This year also saw the introduction of our Media & Communications meteorologist role, focused on authoritative and engaging public communication of weather and forecast information and commentary. Daniel Corbett is an extremely experienced broadcast meteorologist and has brought expertise and energy to this new role.

Following the development of our new brand strategy, we have also developed a communications strategy that focuses on increasing our reputation as a forward-thinking, entrepreneurial and innovative organisation – a real New Zealand business success story – while maintaining our reputation as New Zealand's trusted weather authority.

The approach also centres on taking pride in telling our story in a more direct and compelling way to all our stakeholders.

Website sets benchmark for visitor engagement
With an average of 1.2 million visits per month* and a new daily traffic record of 277,599 visitors on 15 August 2011, this has been a defining year for metservice.com.

A new Weekend Weather email service was launched just in time for August's wild winter weather. As the official weather forecaster to the All Blacks and tournament organisers, MetService also updated fans with special match location forecasts during September's Rugby World Cup. In October, new Surf & Beach and Boating sections added more than 600 pages of tailored information to the site's Marine & Surf section.

Real-time rain radar was rolled out for the whole country in November – including images from the newly-commissioned West Coast radar, just in time for heavy rainfall in the region. In December, 'MetService TV' was launched: a new section on the site for all MetService weather videos featuring regular regional, national and severe weather updates, sponsored rural weather outlooks, and seasonal regular beach & surf and skiing updates. Hourly sub-region forecasts for Auckland, Wellington and Christchurch, and a new Sun Protection Index, round out the year.

All this work made it particularly pleasing to see the site singled out in May as the benchmark for multimedia content, in Intergen's Engaged Web in New Zealand 2012 report.**

Another significant step in MetService's digital strategy was the June launch of our smartphone apps for both Android and iPhone. Following the success of the iPad app launched last year, these new apps have been very well received. With 12,065 downloads in the first month, the app went straight to #1 Paid iPhone App in New Zealand.

*Source: Nielsen Market Intelligence, 12 month mean to 30 June 2012.

**Source: Intergen Engaged Web in New Zealand 2012 benchmark report, pages 12-13.

93%
Probability of Detection (POD) of severe gales, 18% False Alarm Ratio (FAR)

91%
Probability of Detection (POD) of heavy snow, 11% False Alarm Ratio (FAR)

95%
Probability of Detection (POD) of heavy rain, 15% False Alarm Ratio (FAR)

Significant weather events
Three severe weather events strongly captured the attention of the public and the media this year.

The polar outbreak of mid-August 2011 was the most widespread and prolonged since July 1939. Snow fell to low levels over much of New Zealand and was reported as far north as Auckland. Chief Forecaster Peter Kreft's 'The Big Chill' running commentary and discussion of the event brought a record number of views to the website blog – including 15,882 visitors on 15 August alone.

In mid-December 2011, a strong flow of tropical air onto the country brought rainfalls of historic proportions to the lowland areas of Takaka and Richmond and in the hills behind Nelson. This was described by Tasman District Council as 'a storm like no other', with the 48-hour rain total at Takaka approaching a third of their annual rainfall.

On 3 March 2012, very strong winds affected many parts of the North Island, particularly Taranaki. This weather event was one of the few that can be described as a 'weather bomb': the strong winds were driven by a fast-moving low, which deepened explosively in the 24 hours leading up to its passage through the South Taranaki Bight.

These events were communicated well in advance. The cold outbreak in the middle of August was exceptionally well handled by the Severe Weather Team, with Federated Farmers noted that the accuracy of initial warnings prevented significant stock losses. Media coverage (with MetService taking the lead) was comprehensive, with Peter Kreft and Dan Corbett making 10 television appearances over August's two-day snow event alone.

Retiring experts honoured
During the year, MetService recognised the contribution of senior meteorologists Ian Miller, Paul Bruce and Mark Pascoe, who retired having given a combined 113 years of experience and commitment to our forecasting team. Their individual skills and expertise have added greatly to our forecasting culture and to the development of their fellow meteorologists. Dr Neil Gordon retired in September 2011, having served as Chief Meteorologist, GM National Weather Services, GM Science R&D and New Zealand's Permanent Representative with WMO. Weather ambassador Bob McDavitt retired in February 2012, having been the public face of MetService since the 1990s. Bob's contribution to the success of New Zealand's America's Cup and Olympic yachting crews is testament to his reputation as a marine forecasting guru.

WMO and other international commitments
A strong commitment to international cooperation in meteorology is vital to the success of all weather forecasting agencies, given the global nature of weather and its impact. Our people are actively involved in the weather-related activities of the United Nations, through the World Meteorological Organization (WMO) and the International Civil Aviation Organisation (ICAO). We also work closely with our counterparts in the Pacific, along with supporting agencies, to ensure the sustainability of regional weather and climate programmes.

Growing the next generation of meteorologists
MetService runs recruitment programmes every few years, bringing talented university graduates in maths and physics into the forecasting environment to turn them into world-class meteorologists. The 2012 training course is underway with a promising group of young graduates, and six of the 10 graduates from our 2008 course are now part of our own forecasting team.

Looking ahead
This has been an important and exciting transition year for MetService. We have made some tough decisions in order to change direction and focus on the areas where we believe our future lies. This has been a key step in preparing the Company for future growth through new products, continued expansion into international markets, and growth in core sectors such as energy here in New Zealand.

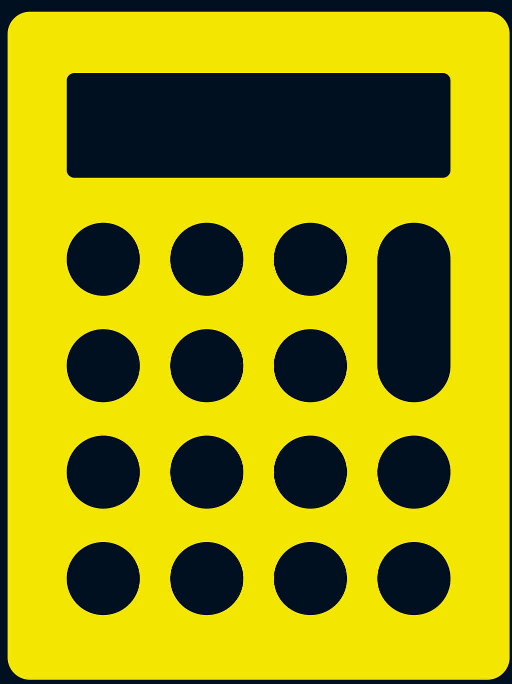
Our new brand promise: to keep customers ahead through world-leading delivery of powerful weather intelligence, is founded on our core world-class meteorological expertise. By empowering our staff and our customers to create wealth and social benefit from weather, we will be recognised as the global leader in local weather.

We thank our staff, Executive team and Board members for their achievements this year and their commitment to this bold new vision for MetService. We look forward to a successful year to come.

Sarah Smith. Chairman

Peter Lennox. Chief Executive

OUR FIGU



RES

CORPORATE GOVERNANCE STATEMENT

Directors from left: Carolyn Harkess, Te Taru White, Judy Kirk, Sarah Smith (Chairman), David Houldsworth, Greg Cross (Deputy Chair) and James Koh.

The Directors are pleased to present MetService's corporate governance statement which provides an overview of the Company's main governance practices.

Business activities

The principal activity of the Company is the provision of weather services in New Zealand and internationally, including data acquisition, forecasts and warnings, dissemination and consultation.

Related activities include the acquisition, processing, interpretation, presentation and dissemination of near real-time non-weather information.

Shareholders

As a State-Owned Enterprise (SOE), MetService is wholly-owned by the Crown. Two Shareholding Ministers act on behalf of the Crown – the Minister of Finance and the Minister for State-Owned Enterprises.

Role of the Board Of Directors

Under the Companies Act 1993, the Board is responsible for managing, by or under its direction or supervision, the business and affairs of the Company. This includes responsibility for the Company's strategic direction and oversight of its management, with the ultimate aim of increasing shareholder value. The primary responsibility of the Directors is to exercise their business judgment to act, in good faith, in what they believe to be the best interests of the Company and its shareholders. In meeting its responsibilities, the Board:

- provides leadership and vision to the Company in a way that will enhance shareholder value;
- ensures that appropriate systems and processes are in place so that the business of the Company is conducted in an honest, ethical, responsible and safe manner;
- appoints, manages, and monitors the performance of the Chief Executive Officer;
- oversees the overall conduct of the business and ensures that it is being properly managed;
- ensures that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- actively engages in directing and approving the strategic planning of the Company and monitoring the implementation of the strategies by Company management;
- reviews and approves the Company's budgets, business plans and Statement of Corporate Intent, and ensures they meet shareholder requirements;
- sets delegated financial authority levels for the Chief Executive Officer;
- reviews and approves all material acquisitions and divestments, and all capital expenditure exceeding the Chief Executive Officer's delegated financial authority;
- monitors the financial and non-financial performance of the Company against its goals and targets, and ensures the integrity of reporting;
- fosters constructive relationships with the Company's shareholders, and gives due consideration in all of its activities to the Company's stakeholders; and
- conducts itself in such a way that Board meetings and discussion promote focused, open debate within a supportive team atmosphere.

Communication with shareholders

The Board is committed to the 'no surprises' policy adopted by Shareholding Ministers, and proactively advises its shareholders on significant issues on an on-going basis.

Under the State Owned Enterprises Act 1986 the Company is required to provide Shareholding Ministers with:

- an annual Business Plan and Statement of Corporate Intent outlining the Company's strategic direction and financial projections for the coming three years;
- an annual report including audited financial statements;
- a half-yearly report including unaudited financial statements; and
- quarterly reports outlining financial performance, major achievements and issues of concern.

Composition of the Board

In accordance with the Constitution of the Company, the Board must comprise not less than two, and not more than nine, Directors, who are appointed by the Shareholding Ministers.

Board meetings

The Board meets approximately 11 times per year. Additional meetings are held as required. The annual programme is set by the Board prior to the start of each calendar year. To enable the Board to function effectively, management provides formal Board papers generally a week in advance of meetings. Executive managers are regularly involved in Board discussions and Directors have other opportunities to gain information and advice in relation to the Company and its operations.

Board committees

The Board currently maintains two standing committees: the Audit and Risk Committee and the Remuneration Committee. Other Committees are formed for specific purposes and disbanded as required.

The purposes of the standing committees are as follows:

Audit and Risk Committee

The objective of the Audit and Risk Committee is to assist the Board in discharging its financial reporting and regulatory obligations and ensure that the Company maintains a sustainable Risk Management Programme, incorporating robust processes for identifying and assessing material risks to the Company and establishing risk mitigation strategies. Its main responsibilities are the oversight of the financial audit process, including the assessment of the performance of the Company's financial management, and ensuring compliance with statutory requirements related to finance and risk.

Remuneration Committee

The objective of the Remuneration Committee is to ensure the Company achieves and fulfils the role of a good employer as required by section 4 of the State Owned Enterprises Act 1986, through the establishment of effective policies and procedures to achieve a skilled, motivated and engaged workforce that will contribute to the successful operation of the Company.

Conflicts of interest

The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business and the requirements of the Companies Act.

The Company's Constitution specifies rules regarding the activities of a Director in relation to any transaction in which they have an interest outside of their Board responsibilities. In particular, interested Directors are prohibited from voting on the relevant transaction. Where conflicts of interest do arise, Directors are required to advise the Chair and excuse themselves from the relevant discussions.

The Board maintains a register of interests that is reviewed and updated at each regular Board meeting to ensure that Directors are aware of the existence and nature of all disclosures of interest.

Board performance review and development

The Board regularly reviews its own performance. Individual Directors' views and the collated views of members of the executive management team are sought on Board process, efficiency and effectiveness, and discussed by the Board as a whole.

Results of operations

	2012 $000s	2011 $000s
Net Surplus Attributable to Shareholders	1,077	3,130
Interim Dividends Paid	–	500
Final Dividend Paid	625	1,000
Retained Earnings at Beginning of the Year	9,330	7,700
Retained Earnings at End of Year	9,782	9,330

Changes of capital

There were no changes in capital during the year under review.

Auditor

In accordance with Section 19 of the State Owned Enterprises Act 1986, the Office of the Auditor-General is the Auditor for the Company. Lesley Mackle, with the support of PricewaterhouseCoopers, audits the Meteorological Service of New Zealand Limited on behalf of the Auditor-General.

During the year, amounts received or due and receivable by PricewaterhouseCoopers NZ were:

- Meteorological Service of New Zealand Limited – Audit $40,000 (2011: $37,000) and Other Services $12,600 (2011: $nil). Other Services consisted of an IT security review.
- Metra Information Limited – Audit $50,000 (2011: $50,000) and Other Services $nil (2011: $nil).

Remuneration of employees

The number of employees (not including Directors) whose remuneration and benefits during the accounting period were within the specified band is as follows:

	Number
$100,000 – $109,000	22
$110,000 – $119,000	18
$120,000 – $129,000	8
$130,000 – $139,000	1
$140,000 – $149,000	2
$150,000 – $159,000	2
$170,000 – $179,000	1
$190,000 – $199,000	1
$200,000 – $209,000	1
$210,000 – $219,000	1
$230,000 – $239,000	1
$340,000 – $349,000	1

Directors

In accordance with the Constitution of the Company, Directors are appointed by the shareholders.

Directors' remuneration

Directors' remuneration and benefits received, or due and receivable during the accounting period, are as follows (no remuneration was paid to Directors in their capacity as directors of Metra Information Limited).

Sarah Smith (Chairman)	$46,000
Greg Cross (Deputy Chair)	$28,750
Carolyn Harkess	$23,000
David Houldsworth	$23,000
Judy Kirk	$23,000
James Koh	$23,000
Te Taru White	$23,000
Total Directors' Remuneration	**$189,750**

Directors' Interests Register

Sarah Smith

Director
Christchurch City Holdings Limited
Sasco Holdings Limited
Selwyn Plantation Board Limited
Cashel Properties Limited
Devon Chambers Limited
Oxford Estates Limited
Verification NZ Limited
EcoCentral Limited

Trustee
Warren Architectural Trust
Ohinetahi Charitable Trust

Greg Cross

Shareholder / Director
Cross Ventures Ltd

Director
Cross Ventures Investments Ltd
Fronde Group Ltd

Shareholder / Executive Chairman
PowerbyProxi Ltd

Shareholder / Executive Director
BiciVida Ltd

Shareholder / Chairman
SLI Systems Ltd

Venture Partner
Movac Fund 3

Chairman
IceHouse Ltd

Trustee
KCW Trust

Carolyn Harkess

Director
NZRL Southern Zone

Strategic Projects Manager
Southern Pine Products

David Houldsworth

Director
NZ Wool Services Intl Ltd
Tea Lounge Ltd

Shareholder / Director
Midas New Zealand Ltd
Won Door New Zealand Ltd
Bentwood Investments Ltd

Judy Kirk

Chairperson
NZ Lotteries Commission

Shareholder / Director
J M K Consultancy Ltd

James Koh

Director
Eyredale Farming Company Ltd
Koh Holdings Ltd

Te Taru White

Owner / Director
Te Taru White Consultancy Ltd

Shareholder / Director
Media 3D Ltd

Committee Member
Lottery Environment Heritage Committee

Directors' loans

There were no loans by the Company to Directors.

Directors' insurance

The Company has arranged policies for Director's Liability Insurance, which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law.

Donations

The Company made no donations during the year.

Changes in accounting policies

There have been no material changes in accounting policies in the latest financial year.

For, and on behalf of the Board, which authorised the issue of the financial report on 21 August 2012.

S Smith

S Smith, Chairman

David Houldsworth

D Houldsworth, Audit Chairman

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Operating Revenue		42,161	39,124	19,510	19,544
Government Grants		68	104	43	87
Total Operating Revenue		**42,229**	**39,228**	**19,553**	**19,631**
Operating Expenses					
Employee Benefits Expense	3	20,421	18,437	14,900	13,969
Communication Costs		1,080	999	807	746
Data Acquisition Costs		2,542	2,769	2,145	2,487
IT Costs		1,640	1,354	1,191	1,123
Marketing Costs		1,281	971	43	56
Occupancy Costs		576	503	527	467
Operating Lease Expenses	23	966	980	776	841
Office Expenses		331	310	255	258
Professional Expenses		1,366	1,464	475	519
Other Costs		4,271	1,346	1,238	890
Depreciation and Amortisation Expense		5,316	4,924	4,059	3,957
Total Operating Expenses		**39,790**	**34,057**	**26,416**	**25,313**
Change in Value of Option		–	38	–	–
Change in Fair Value of Subsidiary		–	189	–	–
Dividends Received		–	–	12,000	7,000
Operating Profit	2	**2,439**	**4,944**	**5,137**	**1,318**
Financial Costs	4	1,048	824	1,049	827
Share of Profits of Jointly Controlled Entity	14	–	(15)	–	–
Profit Before Taxation		**1,391**	**4,135**	**4,088**	**491**
Taxation (Expense) / Credit	5	(314)	(1,005)	620	2,211
Net Profit Attributable to Equity Holders		**1,077**	**3,130**	**4,708**	**2,702**
Other Comprehensive Income					
Movement in Foreign Currency Translation Reserve	20	(82)	(9)	–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**995**	**3,121**	**4,708**	**2,702**

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Equity					
Issued Capital	6	5,000	5,000	5,000	5,000
Foreign Currency Translation Reserve		(91)	(9)	–	–
Retained Earnings / (Accumulated Losses)		9,782	9,330	1,189	(2,894)
Total Equity		**14,691**	**14,321**	**6,189**	**2,106**
Liabilities					
Cash and Cash Equivalents	24	785	–	785	–
Trade and Other Payables	7	4,991	5,464	2,967	3,421
Net Amounts Owing to Related Parties	12	–	–	946	7,674
Employee Benefits	9	1,055	1,215	1,003	1,162
Borrowings	11	2,000	–	2,000	–
Total Current Liabilities		**8,831**	**6,679**	**7,701**	**12,257**
Deferred Taxation	5	610	373	458	263
Provisions	10	628	789	628	789
Borrowings	11	15,000	15,000	15,000	15,000
Total Non Current Liabilities		**16,238**	**16,162**	**16,086**	**16,052**
TOTAL LIABILITIES AND EQUITY		**39,760**	**37,162**	**29,976**	**30,415**
Assets					
Cash and Cash Equivalents	24	760	887	27	183
Trade and Other Receivables	8	6,962	5,633	2,813	2,577
Assets Held for Sale	19	68	–	68	–
Inventories	13	354	428	354	428
Income Taxation Receivable		573	(89)	710	1,594
Total Current Assets		**8,717**	**6,859**	**3,972**	**4,782**
Property Plant and Equipment	19	21,393	21,516	19,714	19,860
Other Intangible Assets	18	9,650	8,787	6,290	5,773
Total Non Current Assets		**31,043**	**30,303**	**26,004**	**25,633**
TOTAL ASSETS		**39,760**	**37,162**	**29,976**	**30,415**

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

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 21 August 2012.

S Smith, Chairman

D Houldsworth, Audit Chairman

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

Group 2012	Note	Fully Paid Ordinary Shares $000s	Retained Earnings $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2011	6	**5,000**	**9,330**	**(9)**	**14,321**
Comprehensive Income					
Net Profit		–	1,077	–	1,077
Currency Translation Differences	20	–	–	(82)	(82)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		**–**	**1,077**	**(82)**	**995**
Transactions with Owners					
Dividends Relating to 2011	21	–	(625)	–	(625)
Dividends Relating to 2012	21	–	–	–	–
Total Transactions with Owners		**–**	**(625)**	**–**	**(625)**
EQUITY AS AT 30 JUNE 2012		**5,000**	**9,782**	**(91)**	**14,691**
Group 2011					
Equity as at 1 July 2010	6	**5,000**	**7,700**	**–**	**12,700**
Comprehensive Income					
Net Profit		–	3,130	–	3,130
Currency Translation Differences	20	–	–	(9)	(9)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		**–**	**3,130**	**(9)**	**3,121**
Transactions with Owners					
Dividends Relating to 2010	21	–	(1,000)	–	(1,000)
Dividends Relating to 2011	21	–	(500)	–	(500)
Total Transactions with Owners		**–**	**(1,500)**	**–**	**(1,500)**
EQUITY AS AT 30 JUNE 2011		**5,000**	**9,330**	**(9)**	**14,321**

Parent 2012	Note	Fully Paid Ordinary Shares $000s	Retained Earnings/ (Accumulated Losses) $000s	Total $000s
Equity as at 1 July 2011	6	**5,000**	**(2,894)**	**2,106**
Comprehensive Income				
Net Profit		–	4,708	4,708
Other Comprehensive Income		–	–	–
Total Comprehensive Income		**–**	**4,708**	**4,708**
Transactions with Owners				
Dividends Relating to 2011	21	–	(625)	(625)
Total Transactions with Owners		**–**	**(625)**	**(625)**
EQUITY AS AT 30 JUNE 2012		**5,000**	**1,189**	**6,189**
Parent 2011				
Equity as at 1 July 2010	6	**5,000**	**(4,096)**	**904**
Comprehensive Income				
Net Profit		–	2,702	2,702
Other Comprehensive Income		–	–	–
Total Comprehensive Income		**–**	**2,702**	**2,702**
Transactions with Owners				
Dividends Relating to 2010	21	–	(1,500)	(1,500)
Total Transactions with Owners		**–**	**(1,500)**	**(1,500)**
EQUITY AS AT 30 JUNE 2011		**5,000**	**(2,894)**	**2,106**

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Cash Flow from Operating Activities					
Cash was Provided from:					
Receipts from Customers		42,180	39,426	20,291	19,700
Interest Received		10	6	3	2
Cash was Applied to:					
Payments to Suppliers and Employees		(38,356)	(32,848)	(26,044)	(24,178)
Interest Paid		(1,058)	(816)	(1,057)	(815)
Income Taxation Paid		(752)	(1,047)	(658)	1,162
Net Cash Generated by Operating Activities	22	**2,024**	**4,721**	**(7,461)**	**(4,130)**
Cash Flow from Investing Activities					
Cash was Provided from:					
Dividend Received		–	42	12,000	7,000
Cash was Applied to:					
Intercompany Advances		–	–	(4,384)	(270)
Purchase of Property, Plant, Equipment and Intangibles		(4,311)	(7,659)	(2,471)	(6,179)
Acquisition of Weather Commerce Limited		–	(519)	–	–
Net Cash Used by Investing Activities		**(4,311)**	**(8,136)**	**5,145**	**552**
Cash Flow from Financing Activities					
Cash was Provided from:					
Increased Borrowings		2,000	6,000	2,000	6,000
Cash was Applied to:					
Dividends		(625)	(1,500)	(625)	(1,500)
Net Cash Generated by Financing Activities		**1,375**	**4,500**	**1,375**	**4,500**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(912)**	**1,086**	**(941)**	**922**
Add Cash and Cash Equivalents at the Beginning of the Year		887	(199)	183	(739)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	**(25)**	**887**	**(758)**	**183**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 STATEMENT OF ACCOUNTING POLICIES

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

These financial statements were authorised for issue by the Board of Directors on 21 August 2012.

Standards adopted for the first time

NZ IAS 24 'Related Party Disclosures' – effective for periods beginning on or after 1 January 2011. In December 2009 the IASB issued a revised IAS 24 'Related Party Disclosures'. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for Government-related entities to disclose details of all transactions with the Government and other Government-related entities. The effect on the Group's or the Parent entity's related party disclosures is minimal. The adoption of this amendment has not had a material effect on the disclosures in the financial statements.

FRS-44 'New Zealand Additional Disclosures' sets out New Zealand-specific disclosures for entities that have adopted New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by International Financial Reporting Standards (IFRSs). The Standard supports the objective of harmonising financial reporting standards in Australia and New Zealand. FRS-44 is effective from 1 July 2011. The adoption of this standard has not had a material effect on the disclosures in the financial statements.

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

NZ IFRS 9 'Financial Instruments' – effective for periods beginning on or after 1 January 2015. The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZ IAS 39 'Financial Instruments: Recognition and Measurement'. NZ IFRS 9 reduces the classifications and measurement methods available for financial assets from four to two, being amortised cost or fair value through profit or loss. The Group will adopt the standard for the year ending 30 June 2016. The adoption of this standard is not expected to materially impact the Group's measurement of or disclosure of financial assets or liabilities.

NZ IFRS 10 'Consolidated Financial Statements' – effective for periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Group will adopt the standard for the year ending 30 June 2014. The adoption of this standard is not expected to materially impact the Group's financial statements.

NZ IAS 27 'Consolidated and Separate Financial Statements' – effective for periods beginning on or after 1 January 2013. The standard is renamed Separate financial statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements. The Group will adopt the standard for the year ending 30 June 2014.

IFRS 13 Fair value measurement – effective for periods beginning on or after 1 January 2013. Fair value measurement guidance contained in individual IFRSs is replaced with a single, unified definition of fair value; it also contains authoritative guidance on the application of fair value measurement in inactive markets. There are significant additional disclosures where fair values are used. The adoption of this standard is not expected to materially impact the Group's financial statements. The Group will adopt the standard for the year ending 30 June 2014.

Statement of compliance

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

Meteorological Service of New Zealand Limited is incorporated and domiciled in New Zealand. The address of its registered office is 30 Salamanca Road, Wellington. Its primary service is to provide weather and presentation services to customers around the globe.

Summary of significant accounting policies

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

Basis of preparation

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

Principles of consolidation

Subsidiaries

The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2012. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statements of Comprehensive Income from the effective date of acquisition or disposal. All significant transactions between Group companies are eliminated on consolidation. Investments in subsidiaries are recorded at cost less impairment in the Parent company's financial statements.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Revenue

Revenue is measured at the fair value for the sale of goods and services. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

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

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

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

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to assets are treated as deferred income and recognised in the Statements of Comprehensive Income over the expected useful lives of the assets concerned.

Inventories
Inventories are valued at the lower of cost, on a weighted average cost basis of inventory on hand calculated at the time of the last purchase, and net realisable value. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Property, plant and equipment
The cost of purchased property, plant and equipment is valued at the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for the intended service. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The costs of assets constructed by the Parent and Group include the costs of all materials used in construction and direct labour on the project. Costs are capitalised as soon as the asset is capable of productive use.

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

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

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

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

Buildings	2.5% – 10.0%
Computer Hardware & Software Equipment	10.0% – 33.3%
Furniture & Fittings	10.0% – 33.3%
Buildings on Leasehold Land	3.1% – 5.0%
Meteorological Equipment	2.0% – 33.0%
Motor Vehicles	15.0% – 20.0%
Office Equipment	20.0% – 33.0%
Plant & Equipment	10.0% – 33.0%

During the current financial year, the Group assessed the useful lives of property, plant and equipment in line with the accounting policy and NZIAS16: Property, Plant and Equipment. The accounting estimate of the useful life of weather radar assets was increased from 10 years to 20 years based on the average design service life.

This change has impacted the current year results as follows:

	Group 2012 $000s
Depreciation on Weather Radar Assets Using a 10 Year Useful Life	665
Decrease in Depreciation	(340)
Depreciation on Weather Radar Assets Using a 20 Year Useful Life	325

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised in the Statements of Comprehensive Income.

Intangible assets

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

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

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

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

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

Internally-generated intangible assets – computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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

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

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

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

The annual amortisation rate shown below is considered appropriate for each classification of intangible asset:

Internally Generated Software	20.0 – 33.0%
Customer base	20%

Leases

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions

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

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

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

Restoration provision

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

Employee benefits

(i) wages and salaries and annual leave

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

(ii) Termination leave

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in New Zealand dollars, which is the Parent's functional and the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

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

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

Gains or losses due to currency fluctuations, both realised and unrealised, are recognised in the Statements of Comprehensive Income.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, trade and other receivables, amounts owing to related parties, trade and other payables, Directors fees payable and employee entitlements.

Financial assets
Financial assets are recognised and derecognised on trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Loans and receivables
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statements of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the reversal of the previously recognised impairment loss is recognised in the profit and loss component of the Statement of Comprehensive Income.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
Financial liabilities are recognised and derecognised on trade date where the purchase or sale of liability is under a contract whose terms required delivery within the timeframe established by the market concerned.

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

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised by applying the effective interest method.

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

Statement of cash flows

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

Operating activities: are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

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

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

Goods and services tax

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

Share capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

(i) Note 10: Provisions – measurement of restoration provisions.

(ii) Note 18: Other Intangible Assets – measurement of goodwill impairment of subsidiaries.

(iii) Note 18 Other Intangible Assets – measurement of the fair value of the customer base.

2 OPERATING EXPENDITURE	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Profit / (Loss) for the year has been arrived after charging/(crediting)				
Audit Fees	90	87	40	37
Other Fees Paid to Auditors for IT Security Review	13	–	13	–
Loss on Disposal of Property, Plant and Equipment	23	1	20	1
Impairment of Software Development	2,241	–	151	–
Directors' Fees	190	158	190	158
Bad Debts Recovered	–	(24)	–	–
Software Development Expenditure	133	136	1	7
FX Losses/(Gains)	67	129	(16)	–

During the current financial year, the Group made an impairment adjustment of $2.24m for software development in progress. The large investment and risk required to complete the software development did not justify the potential returns. The impairment is net of $144,000 of recoverable development which will be used in other products.

3 EMPLOYEE BENEFITS EXPENSE	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Wages and Salaries	22,386	21,135	15,635	15,947
Termination Benefits	28	7	28	7
Defined Contribution Pension Plan Expense	487	277	487	277
Labour Capitalised	(4,181)	(4,179)	(2,198)	(3,195)
Contractors / Temporary Staff	1,022	569	299	344
Other Employee Benefits	679	628	649	589
TOTAL EMPLOYEE BENEFITS	**20,421**	**18,437**	**14,900**	**13,969**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

4 FINANCE COSTS – NET	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Interest Revenue				
Bank Deposits	10	5	9	2
Total Finance Income	10	5	9	2
Interest on Bank Overdrafts and Loans	1,058	829	1,058	829
Total Finance Costs	1,058	829	1,058	829
FINANCE COSTS – NET	**1,048**	**824**	**1,049**	**827**

5 TAXATION	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Net Profit Before Taxation	1,391	4,135	4,088	491
Prima Facie Taxation Thereon at 28% (2011: 30%)	389	1,238	1,144	147
Non-deductible Legal Fees	20	32	–	32
Non-deductible Entertainment	8	10	5	8
Non-assessable Inter-company Dividends	–	–	(3,360)	(2,100)
Non-assessable Government Grant	(19)	(31)	(12)	(26)
Prior Period Adjustment	(59)	(10)	(63)	10
Effect of Current Tax Offsets within Group	–	–	1,685	–
Effect of Buildings being Held for Sale	10	–	10	–
Effect of Change in Building Tax Depreciation on Deferred Tax	–	(321)	–	(321)
Effect of Changes in Tax Rates	–	37	–	45
Effect of Different Tax Rates in Other Jurisdictions	6	1	–	–
Other	(41)	49	(29)	(6)
TAXATION EXPENSE / (BENEFIT)	**314**	**1,005**	**(620)**	**(2,211)**
Prior Year Adjustment	(59)	3,118	(63)	10
Current Taxation	187	(1,929)	(699)	(2,082)
Deferred Taxation	186	(184)	142	(139)
TAXATION EXPENSE / (BENEFIT)	**314**	**1,005**	**(620)**	**(2,211)**
Deferred Tax				
Deferred tax (liabilities) / assets arise from the following:				
TEMPORARY DIFFERENCES				
Property, Plant and Equipment	(638)	(829)	(586)	(795)
Intangible Assets	(508)	(221)	(374)	(112)
Other Financial Assets	–	–	–	–
Provisions and Other Liabilities	510	653	502	644
Doubtful Debts	–	9	–	–
Weather Commerce Loss for the Period	26	15	–	–
	(610)	**(373)**	**(458)**	**(263)**
DEFERRED TAXATION				
Opening Balance	(373)	(311)	(263)	(295)
On Profit / (Loss) for the Year	(186)	(239)	(142)	(137)
Prior Period Adjustment	(73)	(107)	(71)	(107)
Effect of Change in Building Tax Depreciation on Deferred Tax	(10)	321	(10)	321
Effect of Changes in Tax Rates	–	(37)	–	(45)
Other	32	–	28	–
CLOSING BALANCE	**(610)**	**(373)**	**(458)**	**(263)**
Deferred Tax to be Recovered < 12 months	510	613	–	579
Deferred Tax to be Recovered > 12 months	(1,120)	(986)	(458)	(842)
	(610)	**(373)**	**(458)**	**(263)**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The Parent recognised a loss for the year ended 30 June 2012, however the Parent and its subsidiaries form part of a consolidated tax group and the Directors believe that it is probable that the Group will generate future taxable profits against which the temporary differences will be utilised.

	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Imputation Credits				
IMPUTATION CREDITS AVAILABLE FOR USE IN THE FUTURE	**4,044**	**3,642**	**–**	**–**
Imputation Credits Available Directly and Indirectly to Shareholders of the Parent Company, through:				
Parent Company	4,044	3,642		
Subsidiaries	–	–		
TOTAL	**4,044**	**3,642**		

6 ISSUED CAPITAL	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Authorised, Issued and Fully Paid Capital consists of 5,000,000 Ordinary shares	5,000	5,000	5,000	5,000

Issued shares have no par value. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

7 TRADE AND OTHER PAYABLES	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Trade Payables	944	1,575	731	1,397
Other Payables	1,575	942	1,585	943
Accruals	1,001	1,766	606	1,045
Income in Advance	1,387	1,071	45	36
Income in Advance – Government Grant	84	110	–	–
TOTAL TRADE AND OTHER PAYABLES	**4,991**	**5,464**	**2,967**	**3,421**

Government grant

TBG (Technology for Business Growth) is a government-funded initiative to assist business to develop ideas for business growth. The Parent received a grant in 2006 to work on forecasting tools for energy customers and a further grant in 2011 for a project to improve forecast verification across the business. The projects were 50% funded and under NZ IAS 20 Government Grants, this revenue is recognised over the life of the asset.

8 TRADE AND OTHER RECEIVABLES	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Trade Receivables	5,429	4,539	2,169	2,149
Allowance for Impairment	–	(34)	–	–
	5,429	**4,505**	**2,169**	**2,149**
Prepayments	705	539	528	402
Sundry Debtors	828	589	116	26
TOTAL TRADE AND OTHER RECEIVABLES	**6,962**	**5,633**	**2,813**	**2,577**

The average credit period on sales of goods and services is 30 days. No interest is charged on the trade receivables overdue. Overdue debts are reviewed on a case-by-case basis and provided for if the receivable is considered not recoverable. Historical experience is such that international customers pay on a 60-90-day term and default is minimal.

Included in the Group's trade receivable balance are debtors with a carrying amount of $592,423 (2011: $473,084) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Included in the Parent's trade receivable balance are debtors with a carrying amount of $Nil (2011: $1,064) which are past due at the reporting date for which the Parent has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Parent does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

8 TRADE AND OTHER RECEIVABLES (CONTINUED)	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Ageing Past Due Trade Receivables (Not Impaired)				
60-90 days	139	85	–	–
90-120 days	256	422	–	–
TOTAL	**395**	**507**	**–**	**–**
Movement in the Allowance for Impairment				
Balance at Beginning of the Year	34	201	–	–
Impairment Losses Recognised on Receivables	–	–	–	–
Doubtful Debts Recognised as Bad Debts	(34)	(143)	–	–
Impairment Losses Reversed	–	(24)	–	–
BALANCE AT END OF THE YEAR	**–**	**34**	**–**	**–**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $nil (2011: $34,393) for Group and $nil (2011: $nil) for the Parent, relating to entities which have been considered doubtful.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate their fair value.

9 EMPLOYEE BENEFITS	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Annual Leave Entitlement	1,024	1,166	972	1,113
Termination Leave	191	219	191	219
TOTAL EMPLOYEE BENEFITS	**1,215**	**1,385**	**1,163**	**1,332**
Termination Leave				
Opening Balance as at 1 July	219	212	219	212
Reductions Arising from Payments / Other Sacrifices of Future Economic Benefits	(28)	7	(28)	7
CLOSING BALANCE AS AT 30 JUNE	**191**	**219**	**191**	**219**
Termination Leave – Current	31	49	31	49
Termination Leave – Non Current	160	170	160	170
CLOSING BALANCE AS AT 30 JUNE	**191**	**219**	**191**	**219**

The liability for employee benefits represents annual leave and termination leave entitlements accrued. The termination leave accrual is an actuarial assessment of the accrued termination leave liabilities for current employees of the Parent. Only those employees with 10 years' service when the scheme closed are eligible for the benefit.

Termination leave has been calculated by the actuarial firm Aon NZ Ltd and has been calculated based on inter alia: Contractual Employee Entitlements, Projected Employee Salary Increases, Expected Resignation and Retirement Rates, Forecasted Market Discount Rates.

10 PROVISIONS	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Non Current				
Restoration Provision	468	619	468	619
TOTAL NON CURRENT PROVISIONS	**468**	**619**	**468**	**619**
Restoration Provision				
Opening Balance as at 1 July	619	610	619	610
Additional Provision Recognised	8	–	8	–
Movement Due to Revised Assumption on Lease Termination	(55)	–	(55)	–
Removal of Gisborne and New Plymouth Buildings from Provision	(159)	–	(159)	–
Change For Passage Of Time And Discount Rate Movement	55	9	55	9
Closing Balance as at 30 June	**468**	**619**	**468**	**619**
TOTAL PROVISIONS	**468**	**619**	**468**	**619**

Restoration provision

The Parent has a number of sites leased around the country for the purpose of housing weather stations or related equipment. A restoration provision has been calculated for those sites that contractually require the site to be restored to its original state on expiry of the license to occupy. The Restoration provision is an estimate of the cost (in today's dollars) of restoring current leased sites to their original state on termination of the lease agreement assuming this would occur at the end of the useful life of equipment on the leased site (usually 20 years from commencement of lease). In 2011, no renewal of the lease was assumed upon termination.

This provision includes estimation for restoring Campbell Island. The Parent has used the ten year government bond rate of 3.41% (2011: 5.23%) as the discount rate and assumed a 2% CPI increase on costs.

Contingent liability

Several lease agreements are held that do not include the requirement to restore the site on termination of the lease. Because the Company is not contractually obligated to remove the equipment and restore the site, it is not certain that a liability would arise therefore the estimated cost of restoring these sites has been excluded from the provision. 2012: $349,941 (2011: $335,157).

11 BORROWINGS	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Unsecured				
Current				
Bank Loan	2,000	–	2,000	–
Non Current				
Bank Loan	15,000	15,000	15,000	15,000
TOTAL BORROWINGS	**17,000**	**15,000**	**17,000**	**15,000**

The Parent has an on-going term loan agreement with the Westpac Banking Corporation. The interest rates are fixed and due for renewal between 3 July 2012 and 30 June 2015. The Parent intends extending the loans on maturity other than two loans expiring in July 2012 totaling $2m. The average interest rate for the loans as at 30 June 2012 is 6.02% (2011: 6.35%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and debt / equity ratio. As at 30 June 2012, all banking covenants had been complied with.

12 FINANCING FACILITIES	Note	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Loans from Subsidiaries					
Metra Information Limited – Intercompany		–	–	(2,005)	(8,253)
Metra Information (Australia) Limited – Intercompany		–	–	1,059	579
	17	**–**	**–**	**(946)**	**(7,674)**

Loans from Subsidiaries

The Company provides funding to Metra Information (Australia) Pty Limited via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year. The Company receives funding from its New Zealand subsidiary via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year.

13 INVENTORIES	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Finished Goods at Cost	354	428	354	428
TOTAL INVENTORIES	**354**	**428**	**354**	**428**

The cost of inventories recognised as an expense during the year was $549,974 (2011: $661,364).

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

On 31 March 2008, the Group acquired 50% of the capital of Weather Commerce Limited. On 28 February 2011, the Group acquired the remaining 50% of the share capital and obtained full control of Weather Commerce Limited, a provider of weather related services to the UK retail industry.

Summarised Financial Information of the Group's jointly controlled entity is set out below:

	Group 2012 $000s	Group 2011 $000s
Total Revenue	–	433
Total Profit for the Period	–	31
GROUP'S SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITY	**–**	**15**

Revenue and profit for the 2011 year are to the date of full acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

15 SUBSIDIARIES

Details of the Group's Subsidiaries at 30 June 2012 and 30 June 2011 are as follows:

	Metra Information Limited (MIL)	Metra Information (Australia) Pty Limited (MIAL)	Weather Commerce Limited
Place of Incorporation and Operation	New Zealand	Australia	UK
Ownership Interests and Voting Rights	100% (2011: 100%)	100% (2011: 100%)	100% (2011: 100%)
Principal Activity	Weather and Information Presentation Services	Marketing and Promotion of Weather and Information Presentation Services	Weather Services to the Retail Sector
Balance Date	30 June	30 June	30 June

16 BRANCHES

Details of the Group's Branches 30 June 2012 are as follows:

	Metra Information Limited Branch (MILB)	Metra Information Limited	Metra Information Limited (Dubai)
Place of Incorporation and Operation	United Kingdom	Hong Kong	Dubai
Principal Activity	Marketing & Promotion of Weather and Information Presentation Services	Marketing & Promotion of Weather and Information Presentation Services	Marketing & Promotion of Weather and Information Presentation Services
Balance Date	30 June	30 June	30 June

17 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

Equity Interests in Related Parties
Details of interests in subsidiaries are disclosed in note 15.

	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Transfers of Software Development				
Metra Information Limited	–	–	1,321	1,580
Metra Information (Australia) Limited	–	–	51	28
	–	**–**	**1,372**	**1,608**

The Parent develops computer software products, some of which were acquired by its subsidiary, Metra Information Limited and Metra Information (Australia) Pty Limited.

	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Settlement of Liabilities				
Metra Information Limited	–	–	(4,838)	(2,583)
Metra Information (Australia) Limited	–	–	(237)	(21)
Weather Commerce Limited	–	154	–	–
	–	**154**	**(5,075)**	**(2,604)**

During the year the Parent was reimbursed for expenses it incurred on behalf of Metra Information (Australia) Pty Limited.

Due to internal restructuring in the previous three years, Metra Information Limited now provides regular funding assistance to its Parent company which is reimbursed on a regular basis. Balances are interest free and payable on demand.

	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Outstanding Receivable / (Payable) at Year End				
Metra Information Limited	–	–	(2,005)	(8,253)
Metra Information (Australia) Limited	–	–	1,059	579
	–	**–**	**(946)**	**(7,674)**

Compensation of Key Management Personnel
Key management personnel are paid in their capacity as employees and receive salary and bonus. Key management personnel includes Directors and the Executive Team.

	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Total Salaries	1,530	1,918	1,530	1,565
Total Profit Share	15	243	15	91
Directors' Remuneration	190	158	190	158
	1,735	**2,319**	**1,735**	**1,814**

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

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

18 INTANGIBLE ASSETS	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Internally Developed Software				
Cost				
Balance at the Beginning of the Year	14,521	11,600	8,359	7,045
Additions – Internal Software Development	3,370	2,921	1,999	1,314
Disposals	(4,029)	–	(955)	–
Balance at the End of the Year	13,862	14,521	9,403	8,359
Accumulated Amortisation and Impairment Losses				
Balance at the Beginning of the Year	(10,426)	(8,525)	(6,243)	(5,076)
Amortisation expense – Internal Software Development	(2,191)	(1,901)	(1,288)	(1,167)
Disposals	4,026	–	955	–
Balance at the End of the Year	(8,591)	(10,426)	(6,576)	(6,243)
CARRYING AMOUNT	**5,271**	**4,095**	**2,827**	**2,116**
Capital Work in Progress				
Internally Developed Software	3,483	3,657	3,463	3,657
TOTAL CARRYING AMOUNT	**8,754**	**7,752**	**6,290**	**5,773**

During the current financial year, the Group made an impairment adjustment of $2.24m for software development in progress. The large investment and risk required to complete the software development did not justify the potential returns. The impairment is net of $144,000 of recoverable development which will be used in other products.

Weather Commerce Intangible Assets				
Cost				
Balance at the Beginning of the Year	430	–	–	–
Additions – Customer Base and Company Website	–	430	–	–
Revaluation as at 30 June 2012	(17)	–	–	–
Balance at the End of the Year	413	430	–	–
Accumulated Amortisation and Impairment Losses				
Balance at the Beginning of the Year	(31)	–	–	–
Amortisation Expense – Customer Base and Company Website	(86)	(31)	–	–
Balance at the End of the Year	(117)	(31)	–	–
CARRYING AMOUNT	**296**	**399**	**–**	**–**

The Amortisation Expense has been included in the line item 'Depreciation and Amortisation Expense' in the Statements of Comprehensive Income.

Goodwill on Acquisition of Weather Commerce				
Cost				
Balance at the Beginning of the Year	636	–	–	–
Additions (Note 15)	–	636	–	–
Revaluation as at 30 June 2012	(36)	–	–	–
CARRYING AMOUNT	**600**	**636**	**–**	**–**
TOTAL CARRYING AMOUNT	**9,650**	**8,787**	**6,290**	**5,773**

Weather Commerce Customer Base Valuation

The Weather Commerce customer base is calculated on the net present value, using a discount rate of 18%, of expected revenue net of direct customer servicing costs over a five year period. The asset is to be amortised over a five year period finishing in February 2016. The carrying value of the asset as at 30 June 2012 was $283,333. No reasonable change in assumptions leads to an impairment.

Impairment Tests for Goodwill

Goodwill is allocated to the Metra UK cash-generating unit (CGU). The recoverable amount of the Metra UK CGU has been determined based on a value-in-use calculation. The calculation used forecast cash flows to 2015 with a pretax growth rate of 5% and a discount rate of 23%. The recoverable amount of the Metra UK CGU exceeds its carrying amount therefore no impairment loss has been recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

19 PROPERTY, PLANT & EQUIPMENT	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Land				
Cost	118	118	118	118
CARRYING AMOUNT	**118**	**118**	**118**	**118**
Opening Carrying Amount	118	118	118	118
Additions	–	–	–	–
Disposals	–	–	–	–
CLOSING CARRYING AMOUNT	**118**	**118**	**118**	**118**
Land – Leasehold				
Cost	439	447	439	447
Accumulated Depreciation and Impairment	(433)	(418)	(433)	(418)
CARRYING AMOUNT	**6**	**29**	**6**	**29**
Opening Carrying Amount	29	50	29	50
Additions	–	–	–	–
Disposals	–	–	–	–
Assets Held for Sale	(2)	–	(2)	–
Depreciation	(21)	(21)	(21)	(21)
CLOSING CARRYING AMOUNT	**6**	**29**	**6**	**29**
Buildings				
Cost	2,563	3,076	2,563	3,076
Accumulated Depreciation and Impairment	(497)	(332)	(497)	(332)
CARRYING AMOUNT	**2,066**	**2,744**	**2,066**	**2,744**
Opening Carrying Amount	2,744	880	2,744	880
Additions	457	1,980	457	1,980
Disposals	–	–	–	–
Reclassification to Buildings on Leasehold Land	(970)	–	(970)	–
Depreciation	(165)	(116)	(165)	(116)
CLOSING CARRYING AMOUNT	**2,066**	**2,744**	**2,066**	**2,744**
Buildings on Leasehold Land:				
Cost	5,733	4,886	5,593	4,743
Accumulated Depreciation and Impairment	(2,075)	(1,773)	(2,032)	(1,736)
CARRYING AMOUNT	**3,658**	**3,113**	**3,561**	**3,007**
Opening Carrying Amount	3,113	2,697	3,007	2,673
Additions	16	675	16	588
Disposals	–	–	–	–
Reclassification from Buildings	970	–	970	–
Assets Held for Sale	(68)	–	(68)	–
Depreciation	(373)	(259)	(364)	(254)
CLOSING CARRYING AMOUNT	**3,658**	**3,113**	**3,561**	**3,007**
Computer Hardware & Software Equipment:				
Cost	13,659	12,757	12,500	11,737
Accumulated Depreciation and Impairment	(11,112)	(10,024)	(10,224)	(9,221)
CARRYING VALUE	**2,547**	**2,733**	**2,276**	**2,516**
Opening Carrying Value	2,733	2,413	2,516	2,316
Additions	1,202	1,713	1,030	1,499
Disposals	(302)	(1,923)	(268)	(1,587)
Accumulated Depreciation Recovered	280	1,923	247	1,587
Depreciation	(1,366)	(1,393)	(1,249)	(1,297)
CLOSING CARRYING VALUE	**2,547**	**2,733**	**2,276**	**2,516**

	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Meteorological Equipment:				
Cost	20,061	17,824	18,905	16,668
Accumulated Depreciation and Impairment	(9,445)	(8,556)	(9,178)	(8,406)
CARRYING VALUE	**10,616**	**9,268**	**9,727**	**8,262**
Opening Carrying Value	9,268	6,463	8,262	6,083
Additions	2,239	3,825	2,239	3,142
Disposals	(4)	–	(4)	–
Accumulated Depreciation Recovered	4	–	4	(17)
Depreciation	(891)	(1,020)	(774)	(946)
CLOSING CARRYING VALUE	**10,616**	**9,268**	**9,727**	**8,262**
Motor Vehicles				
Cost	274	266	242	235
Accumulated Depreciation and Impairment	(204)	(201)	(172)	(170)
CARRYING VALUE	**70**	**65**	**70**	**65**
Opening Carrying Value	65	53	65	53
Additions	39	40	39	40
Disposals	(31)	(33)	(31)	(33)
Accumulated Depreciation Recovered	31	33	31	33
Depreciation	(34)	(28)	(34)	(28)
CLOSING CARRYING VALUE	**70**	**65**	**70**	**65**
Office Equipment:				
Cost	599	509	491	456
Accumulated Depreciation and Impairment	(415)	(388)	(376)	(343)
CARRYING VALUE	**184**	**121**	**115**	**113**
Opening Book Value	121	56	113	45
Additions	104	95	39	93
Disposals	(15)	(25)	(4)	(25)
Accumulated Depreciation Recovered	15	25	4	25
Depreciation	(41)	(30)	(37)	(25)
CLOSING CARRYING VALUE	**184**	**121**	**115**	**113**
Furniture and Fittings:				
Cost	1,261	1,231	1,118	1,092
Accumulated Depreciation and Impairment	(688)	(663)	(615)	(579)
CARRYING VALUE	**573**	**568**	**503**	**513**
Opening Carrying Value	568	171	513	114
Additions	77	447	52	438
Disposals	(13)	(27)	(11)	(25)
Accumulated Depreciation Recovered	12	26	11	25
Depreciation	(71)	(49)	(62)	(39)
CLOSING CARRYING VALUE	**573**	**568**	**503**	**513**
Plant and Equipment				
Cost	972	937	872	838
Accumulated Depreciation and Impairment	(475)	(401)	(405)	(340)
CARRYING VALUE	**497**	**536**	**467**	**498**
Opening Carrying Amount	536	570	498	525
Additions	35	37	35	35
Disposals	(1)	–	(1)	–
Accumulated Depreciation Recovered	1	–	1	–
Depreciation	(74)	(71)	(66)	(62)
CLOSING CARRYING AMOUNT	**497**	**536**	**467**	**498**
TOTAL CARRYING AMOUNT	**20,335**	**19,295**	**18,909**	**17,865**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

19 PROPERTY, PLANT & EQUIPMENT (CONTINUED)	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Capital Work in Progress				
External Purchased Software and Equipment	1,057	2,221	804	1,995
TOTAL CARRYING AMOUNT	**21,392**	**21,516**	**19,713**	**19,860**

Capital work in progress relates to on-going projects that were not completed and capitalised at year end.

Assets Held for Sale				
New Plymouth Building	40	–	40	–
Gisborne Building	28	–	28	–
TOTAL CARRYING AMOUNT	**68**	**–**	**68**	**–**

New Plymouth building

As at 30 June 2012, negotiations had commenced with a third party to purchase buildings owned by the Parent. The building is no longer required by the Company however a separate lease will be established with the new owners for use of the land to house an existing Automatic Weather Station.

Gisborne building

The building has been put on the market during the 2012 financial year. The building is no longer required by the Company for use in providing weather services.

20 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars.

21 DIVIDENDS	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Interim Dividends Paid				
Interim Dividends Relating to Current Year (2011: 10c per share)	–	500	–	500
	–	**500**	**–**	**500**
Final Dividends Paid				
Final Dividends Relating to Prior Year (12.5c per share, 2011: 20c per share)	625	1,000	625	1,000
	625	**1,500**	**625**	**1,500**

As at balance date, there has been no provision made for a final dividend. The Group's dividend policy is 25% of operating cash flow, increasing to 35% next financial year.

22 RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
Net Surplus for the Year	995	3,121	4,708	2,702
Non Cash / Non Operating Items				
Movement in Foreign Currency Translation Reserve	82	–	–	–
Depreciation and Amortisation	5,316	4,924	4,059	3,957
Loss on Sale of Fixed Assets	23	1	20	1
Impairment of Work in Progress	2,241	–	151	–
Change in Value of Option	–	38	–	–
Change in Fair Value of Subsidiary	–	189	–	–
Share of Profits of Associates	–	(15)	–	–
Labour Capitalised	(4,181)	(4,179)	(2,198)	(3,195)
Increase / (Decrease) in Deferred Tax	238	61	195	(33)
Intercompany Dividends	–	–	(12,000)	(7,000)
Restoration Provision	(152)	9	(152)	9
Increase / (Decrease) in Non Cash Items	**3,567**	**1,028**	**(9,925)**	**(6,261)**
Movements in Working Capital				
(Increase) / Decrease in Receivables	(1,327)	(390)	(235)	(300)
(Decrease) / Increase in Accounts Payable and Accruals	(623)	781	(623)	474
Decrease / (Increase) in Income Taxation Receivable	(662)	65	884	(861)
Transfer of Tax Credit to Subsidiary	–	–	(2,344)	–
(Increase) / Decrease in Inventories	74	116	74	116
Total Movement in Working Capital	**(2,538)**	**572**	**(2,244)**	**(571)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**2,024**	**4,721**	**(7,461)**	**(4,130)**

23 OPERATING LEASE EXPENSES

The Group as Lessee:

Leasing Arrangements

The Group leases land: operating leases over these properties give the Group the right to renew the lease subject to a redetermination of the lease by the lessor. There are no renewal options or options to purchase in respect of land and buildings held under operating leases.

	Group 2012	Group 2011	Parent 2012	Parent 2011
	$000s	$000s	$000s	$000s
Non-Cancellable Operating Lease Commitments				
Not Later than One Year	248	273	209	212
Later than One Year and Not Later than Five Years	485	483	485	483
Later than Five Years	1,074	1,089	1,074	1,089
	1,807	**2,003**	**1,768**	**1,784**
CURRENT YEAR EXPENSE	**966**	**980**	**776**	**841**

24 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, bank deposits on call, net of outstanding bank overdrafts and advances. Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows can be reconciled to the related items in the balance sheet as follows:

	Group 2012	Group 2011	Parent 2012	Parent 2011
	$000s	$000s	$000s	$000s
Cash and Cash Equivalents	760	887	27	183
Bank Overdraft / Advance	(785)	–	(785)	–
	(25)	**887**	**(758)**	**183**

The Parent has an overdraft facility with Westpac to the value of $50,000. The Parent has a multi-option credit line facility with Westpac to the value of $2m. The term of this facility is to 30 June 2014 and the balance is on call. Interest is charged at the cash rate plus a corporate margin of 30 basis points with a line of credit charge of 0.05% per month on the commitment during that month.

The Parent provides support for meteorological services in the Pacific Islands and Africa. In this role, the Parent acts as an intermediary between the 'Funder' and the 'Recipient or Client'. The role encompasses the provision of project management expertise, sourcing equipment, calibration and testing and site installation.

Funding is received from international sources to fund these projects. The cash held at balance date is recorded as a liability within 'Other Payables.'

FUNDS HELD AT BALANCE DATE	**1,419**	**705**	**1,419**	**705**

25 FINANCIAL INSTRUMENTS

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

Debt covenants are reviewed by management and reported to the Board on a monthly basis.

	Group 2012	Group 2011	Parent 2012	Parent 2011
	$000s	$000s	$000s	$000s
Categories of financial instruments:				
Assets				
Loans and Receivables				
Cash and Cash Equivalents	760	887	27	183
Bank Overdraft / Advance	(785)	–	(785)	–
Trade and Other Receivables	6,257	5,094	2,285	2,175
TOTAL FINANCIAL ASSETS	**6,232**	**5,981**	**1,527**	**2,358**
Liabilities				
Financial Liabilities at Amortised Cost				
Trade and Other Payables	4,659	5,252	2,813	3,378
Amounts Owing to Subsidiary	–	–	946	7,674
Borrowings	17,000	15,000	17,000	15,000
TOTAL FINANCIAL LIABILITIES	**21,659**	**20,252**	**20,759**	**26,052**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

25 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives

The Group seeks to minimise the effects of foreign currency exchange risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign currency exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

There has been no change during the year to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

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

	Liabilities 2012 $000s	Liabilities 2011 $000s	Assets 2012 $000s	Assets 2011 $000s
Group				
US Dollars	76	78	812	284
British Pounds	12	23	219	189
Euro	1	–	275	303
Australian Dollars	25	33	334	241
	114	**134**	**1,640**	**1,017**

Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to exchange rate at the balance sheet date. This analysis is based on the closing foreign currency denominated monetary assets and monetary liabilities at the reporting date.

If exchange rates had been 10% higher and all other variables were held constant, Group profit and equity would have decreased by $160,000 (2011: $80,000)

If exchange rates had been 10% lower and all other variables were held constant, Group profit and equity would have increased by $195,000 (2011: $98,000)

Interest rate risk management

The Parent and Group manages interest rate risk by borrowing funds at fixed interest rates and maintaining an appropriate level of debt.

The Parent and Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

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

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

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

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal and interest cash flows.

	Less than 1 Year $000s	Between 1 and 2 Years $000s	Between 2 and 5 Years $000s	Over 5 Years $000s
Group				
At 30 June 2012				
On-Call Advance	785	–	–	–
Borrowings	2,903	780	17,340	–
Trade and Other Payables	4,536	–	–	–
At 30 June 2011				
On-Call Advance	–	–	–	–
Borrowings	953	953	16,905	–
Trade and Other Payables	5,252	–	–	–
Parent				
At 30 June 2012				
On-Call Advance	785	–	–	–
Borrowings	2,903	780	17,340	–
Trade and Other Payables	2,813	–	–	–
Amounts owing to Subsidiary	946	–	–	–
At 30 June 2011				
On-Call Advance	–	–	–	–
Borrowings	953	953	16,905	–
Trade and Other Payables	3,378	–	–	–
Amounts Owing to Subsidiary	7,674	–	–	–

The Group and Parent have access to financing facilities, the total unused amount of which is $3m (2011: $3m) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Other items

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

26 CAPITAL COMMITMENTS	Group 2012 $000s	Group 2011 $000s	Parent 2012 $000s	Parent 2011 $000s
COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	**606**	**1,175**	**926**	**1,042**

27 CONTINGENCIES

The Company has issued a letter of support in favour of Weather Commerce Limited to confirm that financial support will be provided to this entity.

Refer to note 10 for contingent liabilities relating to restoration of leased sites.

28 SUBSEQUENT EVENTS

No material events have occurred subsequent to balance date that require recognition of, or additional disclosure in these financial statements.

INDEPENDENT AUDITOR'S REPORT

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to the readers of Meteorological Service of New Zealand Limited and Group's financial statements for the year ended 30 June 2012

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited (the Company) and Group. The Auditor-General has appointed me, Lesley Mackle, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group, on her behalf.

We have audited the financial statements of the Company and Group on pages 12 to 31, that comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the Company and Group on pages 12 to 31:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 30 June 2012; and
  - financial performance and cash flows for the year ended on that date.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

Our audit was completed on 21 August 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

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

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out an other assurance services assignment, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with, or interests in, the Company or any of its subsidiaries.

Lesley Mackle
Lesley Mackle
On behalf of the Auditor-General

PricewaterhouseCoopers
PricewaterhouseCoopers
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Meteorological Service of New Zealand for the year ended 30 June 2011 included on the company and group's website. The company and group's Board of Directors is responsible for the maintenance and integrity of the company and group's website. We have not been engaged to report on the integrity of the company and group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and the related audit report dated 23 August 2011 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

KEY PERFORMANCE INDICATORS: FINANCIAL

	Statement of Corporate Intent	Actual 2012	Actual 2011
1 Shareholder Returns			
Total Shareholder Return	N/A	8.0%	15.7%
Dividend Yield	2.3%	1.2%	3.2%
Dividend Payout	22.9%	30.9%	30.8%
Return on Equity (ROE)	19.7%	7.4%	23.1%
Return on Funds Employed	15.9%	7.7%	19.4%
2 Profitability / Efficiency			
NPAT ($000s)	3,029	1,077	3,121
EBIT ($000s)	5,238	2,357	4,950
EBITDA ($000s)	10,914	7,755	9,874
Asset Turnover	1.11	1.10	1.18
Operating Margin (EBITDAF)	25.2%	18.4%	25.2%
Operating Margin (EBIT)	12.1%	5.6%	12.6%
3 Leverage / Solvency			
Gearing Ratio (net)	53.6%	53.7%	49.6%
Interest Cover	10.6	7.4	12.0
Solvency	0.99	0.99	0.95
Debt Coverage Ratio	3.63	7.21	3.03
4 Growth / Investment			
Revenue Growth	9.7%	7.7%	3.5%
EBITDAF Growth	6.9%	–21.5%	9.7%
NPAT Growth	–3.8%	–65.6%	27.8%
Capital Renewal	1.89	1.60	2.51

NOTES ON THE FINANCIAL KEY PERFORMANCE INDICATORS

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

KEY PERFORMANCE INDICATORS: NON-FINANCIAL

	Statement of Corporate Intent	Actual 2012	Actual 2011
Warnings Performance			
POD Heavy Rain (12 months mean)	> 85%	95%	94%
POD Severe Gales (24 months mean)	> 81%	93%	89%
POD Heavy Snow (24 months mean)	> 81%	91%	82%
FAR Heavy Rain (12 months mean)	< 30%	15%	19%
FAR Severe Gales (24 months mean)	< 34%	18%	17%
FAR Heavy Snow (24 months mean)	< 34%	11%	10%
Forecast Accuracy			
Tmax % Within 2°C (12 months mean)	75%	79%	76%
Tmin % Within 3°C (12 months mean)	85%	86%	85%
Precipitation % Correct (12 months mean)	75%	85%	83%
Forecast Improvement Score	> 0	7	6
RC/MCDEM Survey Score (December Survey)	85%	86%	89%
Systems Performance & Capability Investment			
Radar % Uptime (12 months mean)	97%	98.6%	99.6%
AWS % Uptime (12 months mean)	98%	99.0%	99.5%
Forecasting Capability Investment (past 12 months)	> 5.0%	6.6%	6.7%
Observing Capability Investment (past 12 months)	> 5.0%	7.0%	10.9%
% Experienced Forecasters	> 40%	47%	55%
ISO Audit Non-Conformances remaining unresolved > 2 months (past 12 months)	≤ 1	0	0
CAA Audit Non-Conformances (past 12 months)	<1	0	0
Social & Environmental Sustainability			
Accidents Lost Time (hrs in past 12 months)	< 40 hr	0	0
Unique Website Visitors (000s) (12 months mean)	1,400	1,277	1,121
WMO Staff Participation (past 12 months)	10	11	11
Staff Community Service Days (past 12 months)	60	27	21

NOTES ON THE NON-FINANCIAL KEY PERFORMANCE INDICATORS

Measure	Description/Calculation
Probability of Detection (POD)	The ratio of correctly forecast events to actual events observed.
False Alarm Rate (FAR)	The ratio of forecast events that didn't occur (false alarms) to the number of events forecast.
	The POD and FAR for heavy rain events is reported as a 12-month running mean. For heavy snow and high wind events the POD and FAR are reported as a 24-month running mean, reflecting the relative infrequency of these events.
The RC/MCDEM Survey Score	An aggregate score across a set of survey questions addressing accuracy, timeliness and usefulness of our forecasts and warnings. The survey is run annually, targeting the Ministry of Civil Defence and Emergency Management and all Regional Councils.
Tmax (Tmin) % Within 2 (4)°C	The percentage of maximum (minimum) temperature forecasts for tomorrow that verify within 2 (4)°C of the observed temperature, averaged over 34 urban sites across New Zealand.
Precipitation % Correct	The percentage of forecasts of precipitation (yes / no) for tomorrow that verify against observed precipitation, averaged over 34 urban sites across New Zealand.
Radar % Uptime	The percentage of time that radar data is available within MetService's Kelburn office, averaged over all radar sites.
AWS % Uptime	The percentage of time that Automated Weather Station data is available within MetService's Kelburn office, averaged over all AWS sites.
Forecasting Capability Investment	The total expenditure on our New Zealand weather forecasting capability expressed as a percentage of core revenue. It reflects activities such as R&D in modelling and forecasting techniques, professional training and development of forecaster tools.
Observing Capability Investment	The total capital investment in our New Zealand weather observing network expressed as a percentage of core revenue.
% Experienced Forecasters	The percentage of MetService forecasters with 10 years or more of operational experience. This is the typical amount of experience required before a forecaster is capable of playing a senior role in the forecasting team.
Forecast Improvement Score	The change over the past 5 years of an aggregate POD score. The aggregate score is the mean of the POD scores for heavy rain, snow and wind warnings, weighted by sample size, and taken over a 3-year running mean. It reflects the long-term improvement in warning performance resulting from our investment in forecasting and observing capability.
ISO Audit Non-Conformances	The number of non-conformances remaining unresolved for longer than two months arising from ISO audits in the past 12 months.
CAA Audit Non-Conformances	The number of non-conformances arising from CAA audits in the past 12 months.
Workplace Accidents Lost Time	The number of hours of time lost to workplace accidents in the past 12 months.
Unique Website Visitors	The number of monthly unique visitors to metservice.com, averaged over the past 12 months.
WMO Staff Participation	The number of employees who have taken part either in a WMO Working Group or formal meeting in the past 12 months.

COMPANY DIRECTORY

Directors

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Greg Cross (Deputy Chair)
Carolyn Harkess
David Houldsworth
Judy Kirk
James Koh
Te Taru White

Executive

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General Manager, Risk & Assurance
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General Manager, International Affairs Office
Neil Gordon (retired Sept 2011)

Chief Financial Officer
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Norm Henry
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