

# WE ARE CONNECTED...

 **METSERVICE**  **METRA** ANNUAL REPORT 07/08



...TO THE WEATHER



From Earth's very origins, weather has exerted its mercurial influence and shaped the world we know.

Wielding tempests and storms, weather has the power to disturb and demolish; yet at its most benign, it can relieve and restore. It is an enduring influence: today, tomorrow, next week – no matter where we are, what we are doing – weather is the backdrop to our everyday lives.

Today MetService and its commercial subsidiary Metra ensure millions of people around the world have access to information about the weather. Around the clock, our highly skilled and dedicated people interpret highly complex meteorological data in order to make a positive difference to the lives of people and businesses, here in New Zealand and on distant shores. Not only must that information be right, it must be available at the right time and in the right form. Through a suite of flexible, intelligent, world-leading products and services, that's what we deliver.



“NEW KNOWLEDGE IS THE MOST VALUABLE COMMODITY ON EARTH. THE MORE TRUTH WE HAVE TO WORK WITH, THE RICHER WE BECOME.”

KURT VONNEGUT,  
NOVELIST AND ESSAYIST,  
1922–2007

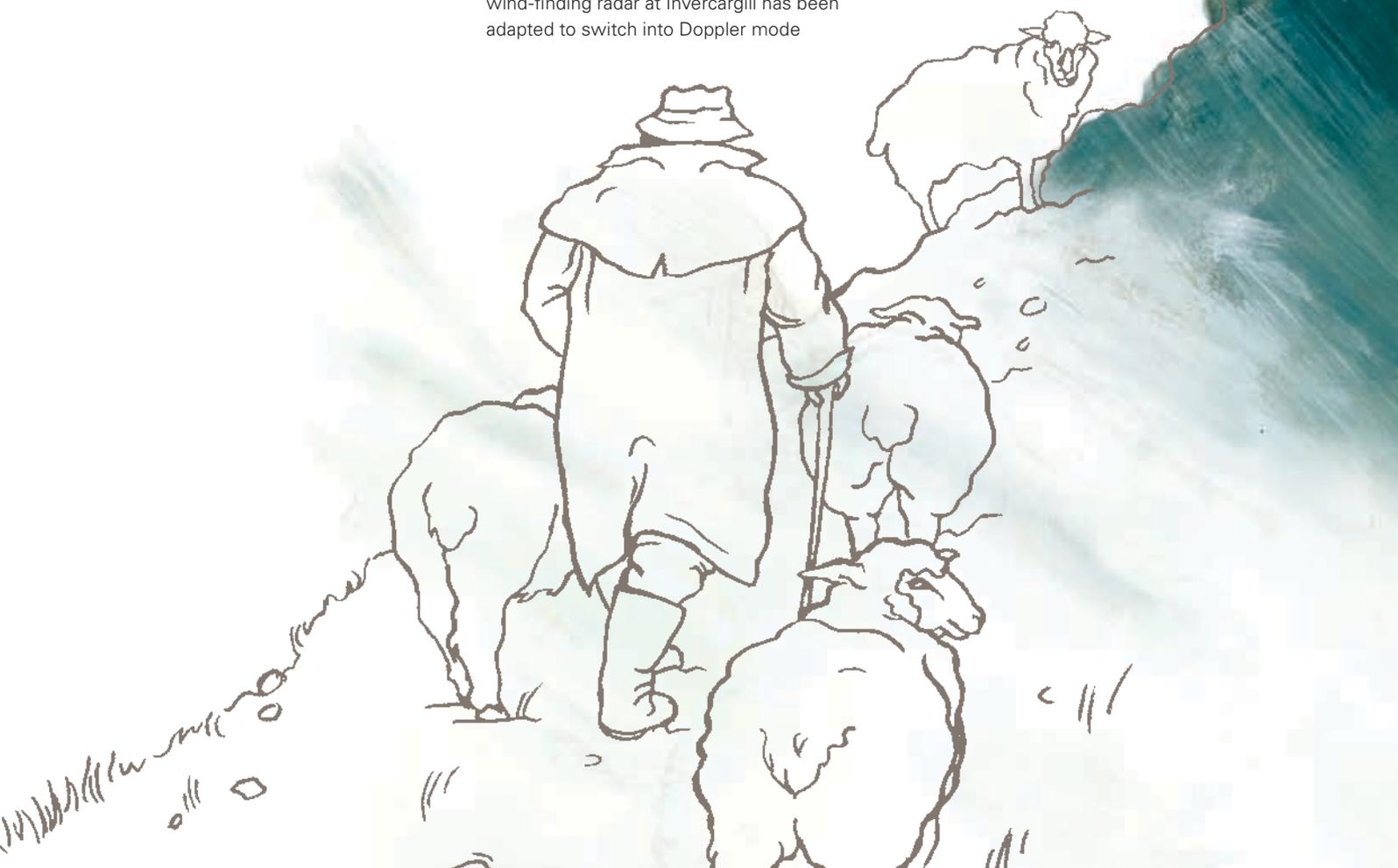
As a country strongly tied to its agricultural heritage, the impact of weather on New Zealand’s primary industries holds repercussions for us all. For farmers on low-lying land, flash floods may mean the difference between viability and a bank account in the red. And any hardship on the farm soon filters to all parts of the economy. But with accurate warning of severe weather events, stock can be moved and potential losses minimised, ensuring a healthier balance sheet – for the farming industry and for the nation.

Providing essential data for MetService weather forecasts are four weather radars stationed at Mt Tamahunga (Warkworth), Outlook Hill (Makara, Wellington), New Plymouth Airport and Rakaia (North Canterbury). Using Doppler technology these radars scan the Earth’s atmosphere to a range of 250 kilometres, locating precipitation and calculating its intensity and motion. From this data our forecasters estimate the form of the precipitation – whether rain, snow or hail – and how it is evolving over time. It is this key information that helps us predict the likelihood of hazardous weather events such as thunderstorms.

In a programme aimed at further improving the accuracy of our weather warnings, MetService is investing \$12 million to enhance radar coverage around the country. As of this year, the wind-finding radar at Invercargill has been adapted to switch into Doppler mode

when not tracking weather balloons. A similar dual-purpose radar is now in operation at New Plymouth, providing much-needed coverage for the central North Island. Two dedicated Doppler weather radars will come on stream over the next two years – the first on Hawke’s Bay’s Mahia Peninsula in 2009 and the second in the Bay of Plenty in 2010. Following a successful bid for Government funds in Budget 2008, we are now planning the installation of two additional radars, in Northland and the West Coast. When fully operational, the enhanced radar network will deliver seamless coverage to most of the country and increase our capability to provide highly specific, localised forecasts.

Improving the quality of our aviation observation network is the objective of another MetService investment programme. At a cost of \$1.5 million, we are upgrading observation equipment at 24 airports and installing automated weather stations at six aerodromes. The automated stations measure temperature, wind speed and direction, rainfall, humidity, solar radiation and pressure, and will eliminate the need for costly manual observation. In particular, the upgrade will increase the robustness of data collected at key sites overnight and in the early morning, periods most critical to aviation forecasting.





"KNOWING A GREAT DEAL IS NOT THE SAME AS BEING SMART; INTELLIGENCE IS NOT INFORMATION ALONE BUT ALSO JUDGMENT, THE MANNER IN WHICH INFORMATION IS COLLECTED AND USED."

CARL SAGAN,  
AMERICAN ASTRONOMER,  
WRITER AND SCIENTIST,  
1934–1996

The harsh winter of 2006 left New Zealand's North Island a land divided. Extreme snow conditions in the Central Plateau closed three of the island's north-to-south routes; then a crash blocked the only remaining route. Clearing the roads to reconnect the island's two halves was the immediate focus for state highway authority Transit New Zealand; its subsequent focus – with the help of MetService expertise – was reducing the likelihood of a reoccurrence.

In September 2007 we installed five mSTAR automatic weather stations at strategic locations on the vital Central Plateau state highways. Additional stations planned for winter 2008 will complete a network of 12 observation sites.

Initially designed and engineered by MetService for the Coastguard Northern Region, mSTAR stations provide weather observations using wireless communications and solar power. The Central Plateau mSTARs transmit readings of air and road temperatures, humidity, wind speed and direction and rainfall at one-minute intervals. The additional planned mSTARs will also provide a local solar radiation reading. Transit and its contractors use the stations' reports, along with site-specific MetService forecasts, to respond more quickly as road conditions deteriorate. This information is critical in identifying the most effective timing and location for application of anti-icing and de-icing agents.

The stations are proven to withstand the rigours of a range of harsh and isolated environments, from high salt marine locations to low temperature alpine sites. mSTARs are also proven in contributing to safe road travel. Information from three stations – two in the Nelson/Marlborough region and one on Wellington's Rimutaka Hill – is available to Transit and travellers through the web-based Road Hazard forecast service.

Future enhancements to the stations are likely to include direct forecaster input, alerts, and specific road-surface icing forecasts, provided with the assistance of Finnish observing equipment manufacturer Vaisala.





"A WORK SHOULD CONTAIN ITS TOTAL MEANING WITHIN ITSELF AND SHOULD IMPRESS IT ON A SPECTATOR BEFORE HE EVEN KNOWS THE SUBJECT."

HENRI MATISSE,  
FRENCH FAUVIST PAINTER  
AND SCULPTOR,  
1869–1954

Though a global phenomenon, the weather experienced in any part of the world is inherently unique. For residents of Australia's outback, warnings of ice and snow are as incongruous as warnings of sandstorms to Icelanders. With such local variations to the global weatherscape, there is little place for a one-size-fits-all approach to forecasting and how forecasts are presented. Through Weatherscape, a package of smart forecast presentation solutions, MetService is ensuring people around the world are receiving information in a way that is most relevant to their daily lives.

In new business developed this year, Metra's work with Al Aan TV is today keeping Dubai viewers up to date with local weather conditions. Using Weatherscape CLIP, we developed a customised weather show for the station, including graphic representation of local phenomena such as sand and dust storms, fog hollows and shamal wind (the Persian Gulf's summer North West wind). The twice-daily show features graphics carefully tailored to fit with the look and feel of the popular channel.

Weatherscape CLIP is designed specifically for small to medium sized broadcasters. The product allows us to deliver custom built, transmission ready weather shows as 'movies', which can air on television, mobile and web platforms. The shows can be supported with other services. In Al Aan TV's case, Metra is

also providing a 24 hour weather service using international weather information tailored to local weather conditions.

For larger broadcasters with more in-house resources, we have produced Weatherscape XT. This more sophisticated software package fuses meteorological science with the latest advances in graphics technology to depict conditions as they are occurring. XT offers broadcasters a flexible presentation system that they themselves can tailor to their brand and the information needs of their audiences. Current XT clients comprise some of the world's leading broadcasters including Britain's BBC, Australia's Channels Seven, Nine and SBS, and CNBC stations internationally.

Regular upgrades ensure Weatherscape XT and CLIP keep pace with technology and audience needs. XT is now available in High Definition format and provides for total automation of shows. Version 3.1, being launched later this year, also includes graphics showing wind direction and temperature as it traverses the topography.





"PEOPLE ARE AFRAID OF THE FUTURE, OF THE UNKNOWN. IF A MAN FACES UP TO IT, AND TAKES THE DARE OF THE FUTURE, HE CAN HAVE SOME CONTROL OVER HIS DESTINY. THAT'S AN EXCITING IDEA TO ME, BETTER THAN WAITING WITH EVERYBODY ELSE TO SEE WHAT'S GOING TO HAPPEN."

JOHN H. GLENN JR,  
AMERICAN ASTRONAUT,  
1921–

Energy fuels much of life in the 21st century. From businesses to homes, when the switch is flicked a result is expected. For the energy industry, delivering that certainty is a game-breaking challenge – and a challenge made more difficult by the impact of weather. Temperature, atmospheric pressure and humidity all affect Combined-Cycle Gas Turbine generation. Effective water management is critical to hydro operations, and wind generation is only possible in optimum wind conditions. An added risk in deregulated markets such as the United States, the United Kingdom and Europe, is the penalties faced by generators if they fail to meet or over produce their delivery targets.

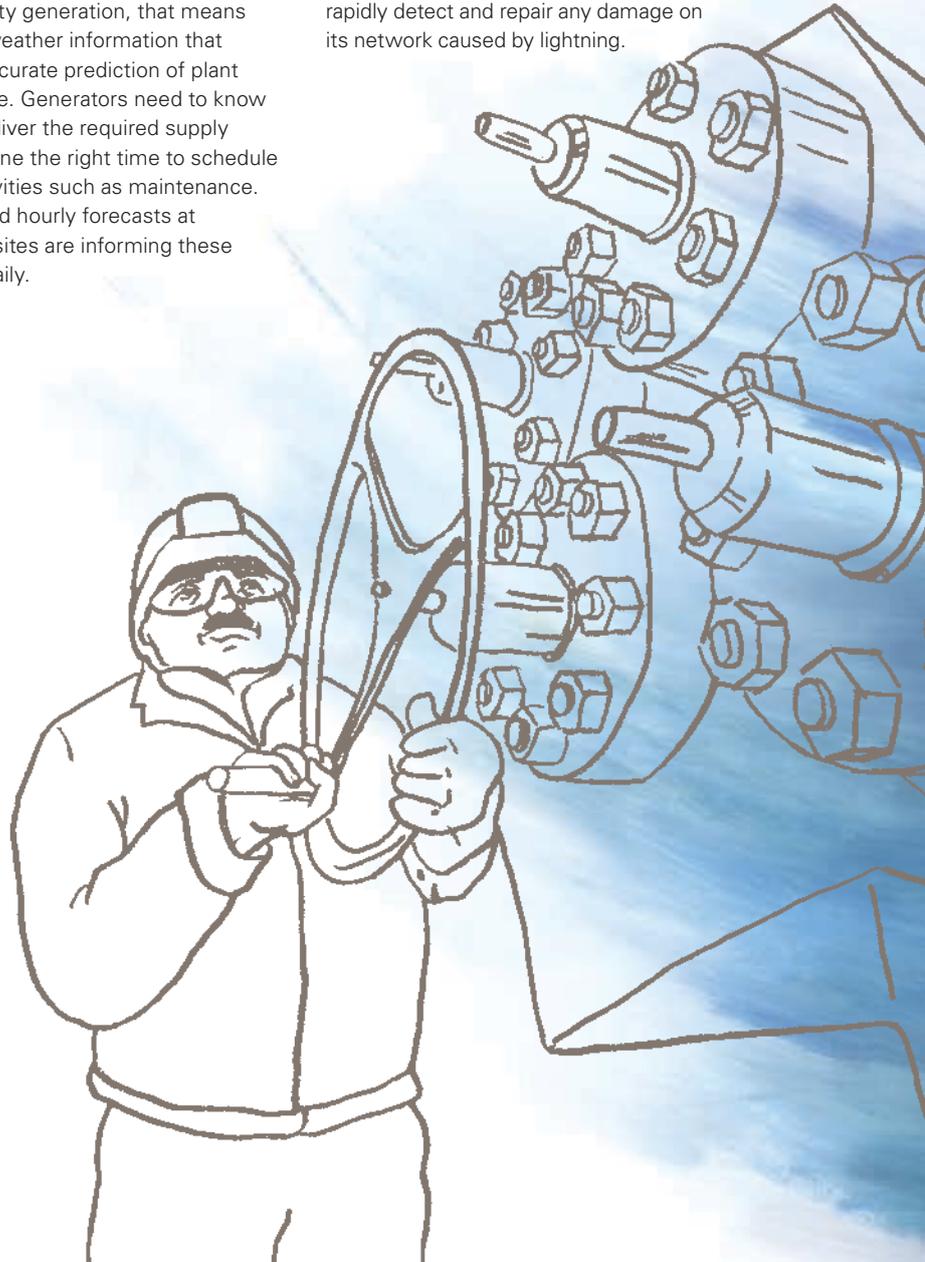
Internationally, weather forecasts have become a critical tool in the energy industry's effort to reduce uncertainty. With a growing reputation for delivering reliable, individually tailored forecasts, Metra is helping to hedge the energy industry's business risks.

For electricity generation, that means delivering weather information that supports accurate prediction of plant performance. Generators need to know they can deliver the required supply and determine the right time to schedule routine activities such as maintenance. Our localised hourly forecasts at generation sites are informing these decisions daily.

In energy trading and retailing, it means delivering weather information that helps decision-makers anticipate future movements in energy supply and demand. Such information is vital for timely purchase decisions on the world's energy markets. The consequences of getting it wrong can be high, both in terms of dollars and impacts on people. Retailers need to know they are buying quantities sufficient to meet their customers' likely demand – and at the right price.

Metra's latest products – Vantage and Forecast the Forecast, along with our enhanced probabilistic forecasts – are providing retailers, traders and analysts with ever more accurate predictions, whether for the next few hours or up to 15 days in advance.

Back here in New Zealand, our services are also helping to ensure the security of energy supply. MetService calibrates and maintains national electricity grid owner Transpower's lightning detection network. This ensures Transpower can rapidly detect and repair any damage on its network caused by lightning.





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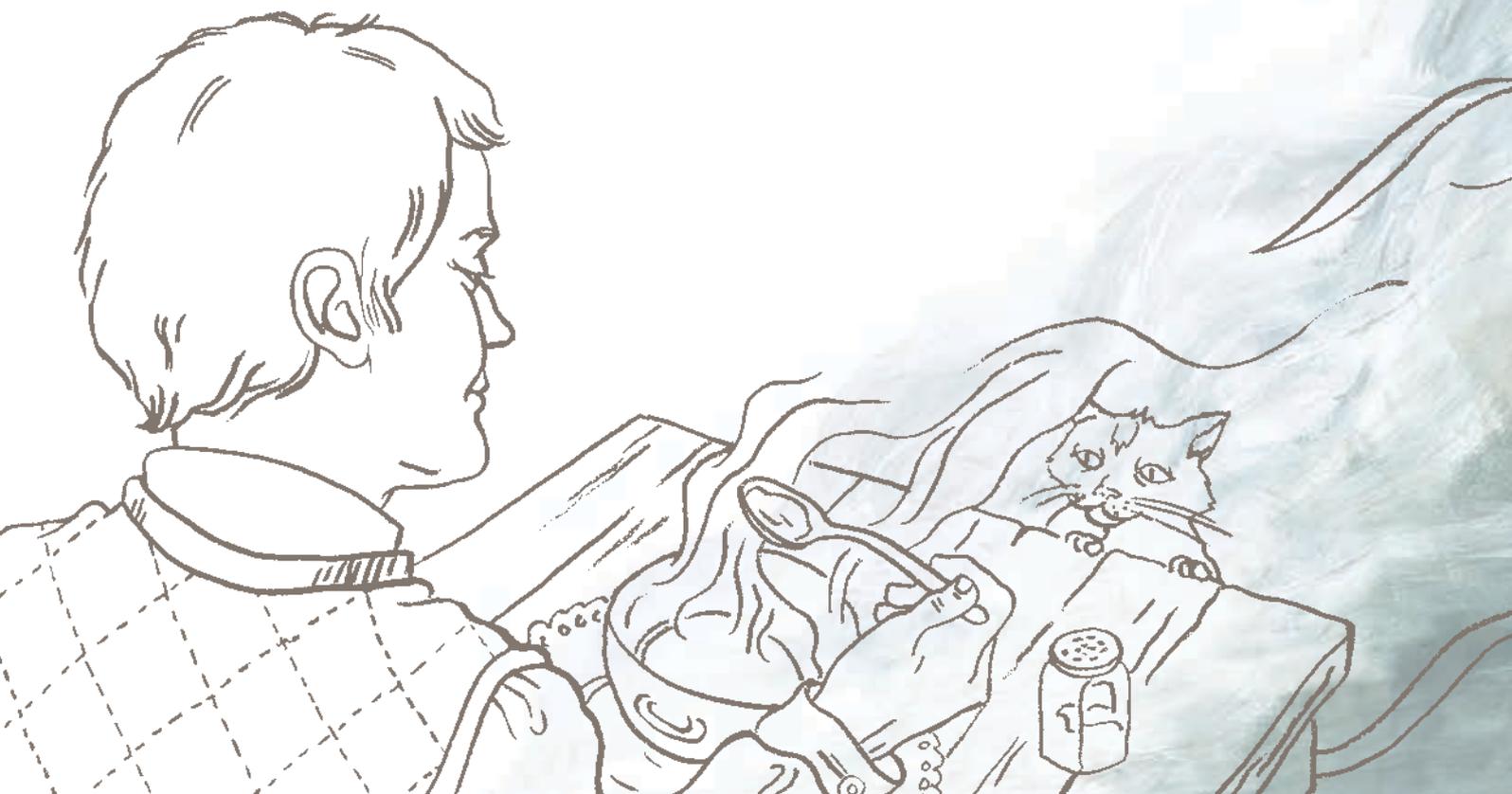
JACOB BRONOWSKI,  
MATHEMATICIAN, BIOLOGIST,  
1908–1974

For major United Kingdom foodstuffs retailer Marks and Spencer, weather is a critical factor in determining which products appear on the day's shelves. Choosing the wrong product or the wrong quantities can result in costly waste and lost business, as a wealth of competitors vie for shopper loyalty. Armed with accurate weather forecasts, supermarkets are reducing their business risks through better stock planning and just-in-time fulfilment. Helping them better predict and prepare for the effect of weather on product delivery, forecasts are also providing supermarkets with greater confidence for in-store promotions and marketing.

The use of weather forecasts to inform the retailing business is a growing trend internationally. Supermarkets in the United Kingdom are using medium-range forecasts to influence supplier manufacturing schedules up to 14 days in advance. Orders are then confirmed on the basis of short-range forecasts – just two to four days ahead. Long-term forecasts are also shaping retailing decision making. Used in conjunction with previous years' trends on the impact of weather on sales, buyers can use long-term forecasts to predict likely shopper demand for any present-day weather change.

During the year, we cemented a foothold in the United Kingdom retail market, acquiring a 50% holding in Weather Commerce Limited. Weather Commerce is a highly skilled private company specialising in bespoke forecasting for the retail, shipping and aviation sectors. The company's customers, which include Tesco, Waitrose, Marks and Spencer and Morrisons, access both historical and forecast data through customised internet sites.

Our acquisition follows a highly successful 12-month working partnership with Weather Commerce. The equity position complements and strengthens Metra's presence, not only in the United Kingdom but also in Europe, providing a local operational forecasting capability. And with the enhanced technical backing of MetService, Weather Commerce is increasingly able to focus on improving weather-related products to grow its key markets.







Executive from left,  
General Manager Australia/Asia  
Tom Sutherland,  
General Manager Science Research  
and Development Neil Gordon,  
General Manager Human Resources  
Colin Baruch,  
Chief Information Officer  
Russell Turner,  
General Manager Corporate Strategy  
Norm Henry,  
Chief Executive Paul Reid,  
Finance Manager Jodi Taylor,  
Acting General Manager Business and  
Consumer Services Stephen Harris.

Absent from the photo,  
General Manager Europe/Middle East  
Paul Linton,  
General Manager National Weather  
Services Rod Stainer.

# YEAR IN REVIEW VIEW

This year, MetService made significant investments in infrastructure and a strategic acquisition to build the sustainability of our business and provide a sound platform for ongoing dynamic growth.

### Financial Overview

The MetService Group achieved a Net Profit Before Tax of \$4.4 million, which represents a 25% year-on-year increase. We achieved this result through growing our domestic and international revenues while maintaining a similar cost base.

During the year, we invested significantly in our meteorological infrastructure to build the long-term sustainability of our business. The investment will improve the collection of information and data, and further enhance our weather forecasting capability.

We made one dividend payment for 2007 – a final dividend of \$1.65 million. Payment of an interim dividend for 2008 was waived to support our acquisition of the British-based private forecasting company Weather Commerce (see Business Performance below).

### Business Performance

MetService maintained its track record as a high-performing organisation, delivering excellent results both in New Zealand and in international markets. We renewed a number of contracts with key customers and secured significant new business. The new business includes a major forecasting services contract in the United States, won largely on the strength of MetService's new technology for the energy sector.

We significantly strengthened our position in the United Kingdom through the purchase of a 50% holding in Weather Commerce, a private forecasting company. Our decision to take an equity holding follows a successful 12-month partnership with the retail, shipping and aviation specialist.

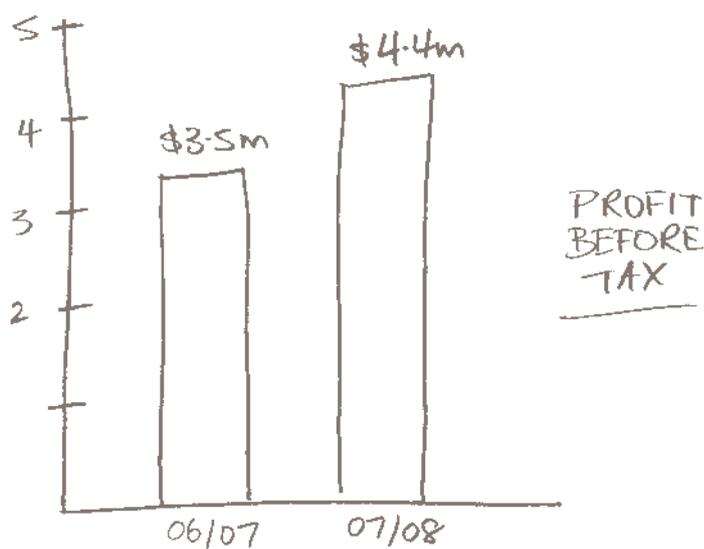
The acquisition provides us with an in-market forecasting capability in the United Kingdom and the potential to achieve a dominant market position for the provision of weather services to the retail sector.

Our strong business performance is built on the foundation of ongoing commitment to achieving quality systems. The efforts of our people to sustain high-quality products and services are reflected in the renewal of our ISO Quality Certification for a further three years and our Civil Aviation Authority (CAA) Part 174 Certification.

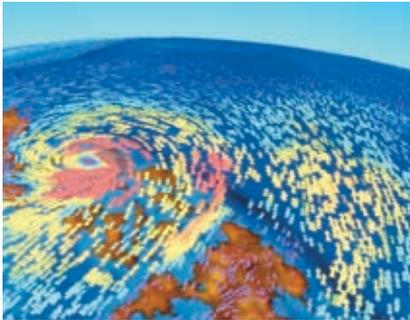
### New Zealand Weather-related Services

This year, the Ministry of Transport extended our contract to provide weather-related services to New Zealanders, incorporating a range of new services to the public. New services include severe convection warnings, extended-range mountain weather forecasts and additional coastal marine forecasts.

Weather impacts significantly on the lives of New Zealanders, a fact that motivates us to continually improve the quality of our information and ensure New Zealanders are forewarned and prepared. During the last 12 months, we exceeded our performance targets for severe weather warnings. We routinely verify the accuracy and timeliness of these warnings in terms of Probability of Detection (POD) and False Alarm Ratios (FAR). PODs for heavy rain, severe gales and heavy snow were 87% or better at the end of June and the corresponding FARs were 27% or less.



A recent inclusion in our Ministry of Transport contract requires us to provide a public warning service when severe thunderstorms are expected to strike a specific area. Warnings are to be issued a few hours ahead of the event. Our capability to provide such warnings is the result of the MetService's ongoing investment in research and development on severe convection forecasting techniques, interpretation of weather radar data and high-resolution numerical modelling. It is also the result of the ongoing expansion of our weather radar network which, after a successful bid for Government funds in Budget 2008, will include two additional Doppler weather radars. The new additions are planned for installation in Northland and the South Island's West Coast.



Above left, Weatherscape XT's innovative new way of illustrating wind flows.

Above right, Weatherscape XT's popular Metroview showing the weather from street level, in this case a rainy morning for Paris.

Our services extend to improving the safety of New Zealanders on the road. Working with Transit New Zealand (and its successor the New Zealand Transport Agency), we are developing an innovative forecasting service to help reduce the effect of hazardous winter weather on road safety. This service relies on our ability to effectively present weather information to operations staff in the field, as well as our forecasting capability and our mSTAR Automated Weather Station (AWS) technology.



## Market Activities

### Media

Our Weatherscape products provide media around the world with the capability to deliver timely, accurate and relevant weather forecasts tailored to their brand and audiences.

Weatherscape XT is a leading brand within the premium international television weather graphics market. The XT software is used by both large and small television stations to provide a point of difference for their viewers and gain internal production efficiencies. Current customers include the BBC; Australia's Nine Network, SBS, Channel 7 and the Weather Channel; New Zealand's TV3; and Finland's Channel Four. This year, we secured a new contract with TVNZ and have begun actively marketing Weatherscape XT in Asia. We also renewed contracts with TG4 in Ireland and Future TV in Lebanon.

Weatherscape CLIP enables customers to broadcast pre-rendered Weatherscape XT 'movies' without the need for a full system. It is targeted at small to medium sized television stations, particularly those looking for an automated solution. CLIP clients include VC Media in New Zealand and City 7 TV in Dubai, with new contracts signed this year with Manchester's Channel m in the United Kingdom, and Pulse TV and Al Aan TV in Dubai.

Right, Greg Pearson discusses with Andy Ziegler aspects of the multi model, probabilistic approach being used for new energy products.



**"MAN MUST GO  
BACK TO NATURE  
FOR INFORMATION."**

THOMAS PAINE,  
PAMPHLETEER, REVOLUTIONARY,  
INTELLECTUAL,  
1737–1809

## Energy

MetService is working with the local and international energy industry, providing accurate, robust forecasts to help reduce the risks of weather impacts on generation, transmission and retail businesses.

We firmed our strong position internationally during the year with the renewal of several contracts in Australia and our continued solid performance in the Combined-Cycle Gas Turbine and energy retail markets in the United Kingdom. We were also engaged by energy companies in Germany and Switzerland.

We expect this year's launch of two new graphical products targeted at energy forecasters to further build our market position:

- Vantage provides traders and analysts with an indication of when actual temperature is likely to vary significantly from a computer-modelled temperature forecast.
- Forecast the Forecast provides traders with a 'heads up' on possible market movements by detecting any likely swings in model-derived temperature forecasts between model runs.

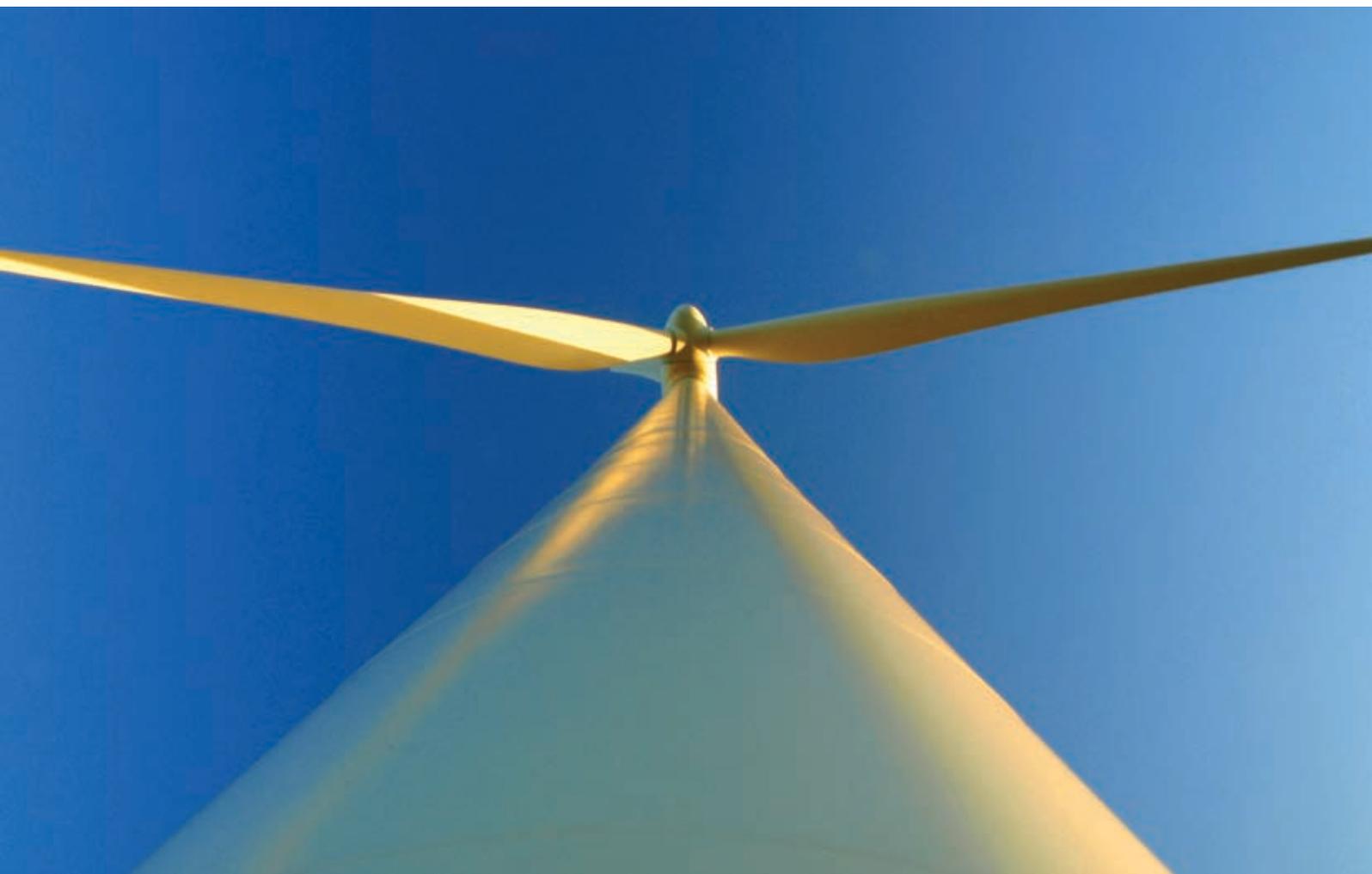


Vantage customers include MacQuarie Bank subsidiary Corona Energy in the United Kingdom. We have also secured significant new business with Forecast the Forecast.

Another initiative helping to maintain our international profile is our participation in a 12-month project to assess the feasibility of an independent AWS observing network in the United Kingdom. A consortium of British energy companies is sponsoring the project. MetService is supplying an mSTAR AWS as well as site-specific forecasting services.

Above, Forecast the Forecast enables energy traders to identify patterns and trends emerging from different forecast models ahead of the actual release of those models, thereby providing them with a competitive trading advantage – above is a map view, tabular view and enhanced probabilistic distribution graphs presented in a user friendly format.

Below, MetService is actively involved in the growth of wind farms in New Zealand providing vital high resolution data to assist both their establishment and ongoing operations.





Above, Severe Weather Forecasters John Crouch and Paul Mallinson utilising some of the wide range of forecasting tools, in this case assimilating weather information from computer guidance charts, radar, satellite and lightning data to provide forecasts in terms the public can relate to.

#### Aviation Services

Accurate weather forecasting is vital to the delivery of safe air travel. We continue to strengthen our relationships with Air New Zealand, Qantas and The Royal New Zealand Air Force, three of our largest customers.

#### MetService Website

The number of people visiting our website continues to exceed our expectations. In June 2008, metservice.com was in the top 10 websites in New Zealand for visitor numbers, with unique visitors up 29% in the last 12 months. Page impressions averaged 6.1 million per month over the last six months, up 53% over the same period last year.

A range of new features has added to the site's attraction. The Urban Pages and Roading section now include a 'What's On' segment, our ski field section now offers an email-based advisory service, and we have introduced seven-day forecast rainfall charts.

**"TO KEEP AT THE FOREFRONT OF OUR FIELD,  
WE MUST CONSTANTLY SEEK TO IMPROVE  
OUR PRODUCTS AND SERVICES."**

PAUL REID, METSERVICE CHIEF EXECUTIVE

## Innovation

Technology is the enabling foundation of our business. To keep at the forefront of our field, we must constantly seek to improve our products and services, and develop better means of delivering them. Innovation is therefore a significant component of the MetService culture. It is an essential ingredient in building a successful business that provides excellent service to its customers.



## MetraView

MetraView is a web-based graphical display system that allows our customers to create a customised desktop view within their web browser, effectively tailoring the display to meet their needs. Currently used to deliver our new Vantage and Forecast the Forecast energy products, this technology will eventually form the basis for all of our business-to-business web delivery channels.

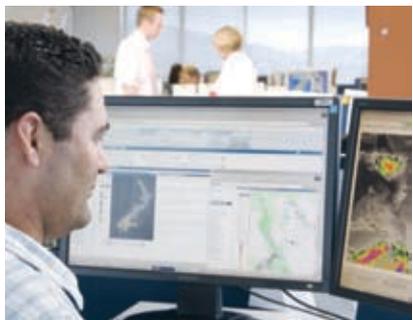


## Data Storage Re-architecture

A key technical challenge in our business is managing the large volumes of data from weather models and observing systems, and making this information available efficiently to a diverse range of applications. Traditional approaches to storing and serving data are now proving a bottleneck to growth. In response, we have designed a scalable data grid architecture based on a 'broadcast and subscribe' approach, which dramatically improves data access.

Initially, we are using this technology to underpin two key ongoing infrastructure projects:

- performance improvement of our metservice.com website, in support of our web growth strategy
- the SAGE project, which aims to improve our forecasters' ability to use higher resolution data sources and to visualise and manipulate weather model data.



Top and above, a critical part of weather forecasting is the communication of the message visually – MetService has developed innovative presentation platforms such as WeatherScape XT with its world leading 3D graphics for public television, web platforms for business applications such as energy trading, and web applications providing forecasters with the tools they need.

Right, Lead Forecaster Leigh Matheson and Meteorologist Melissa Martin discuss refinement of a forecast in the Forecast Room which is very much an interactive team environment.



"NOTHING IS TOO  
SMALL TO KNOW,  
AND NOTHING TOO  
BIG TO ATTEMPT."

WILLIAM VAN HORNE,  
NORTH AMERICAN RAILWAY  
CONSTRUCTOR,  
1843–1915

#### Weather Modelling

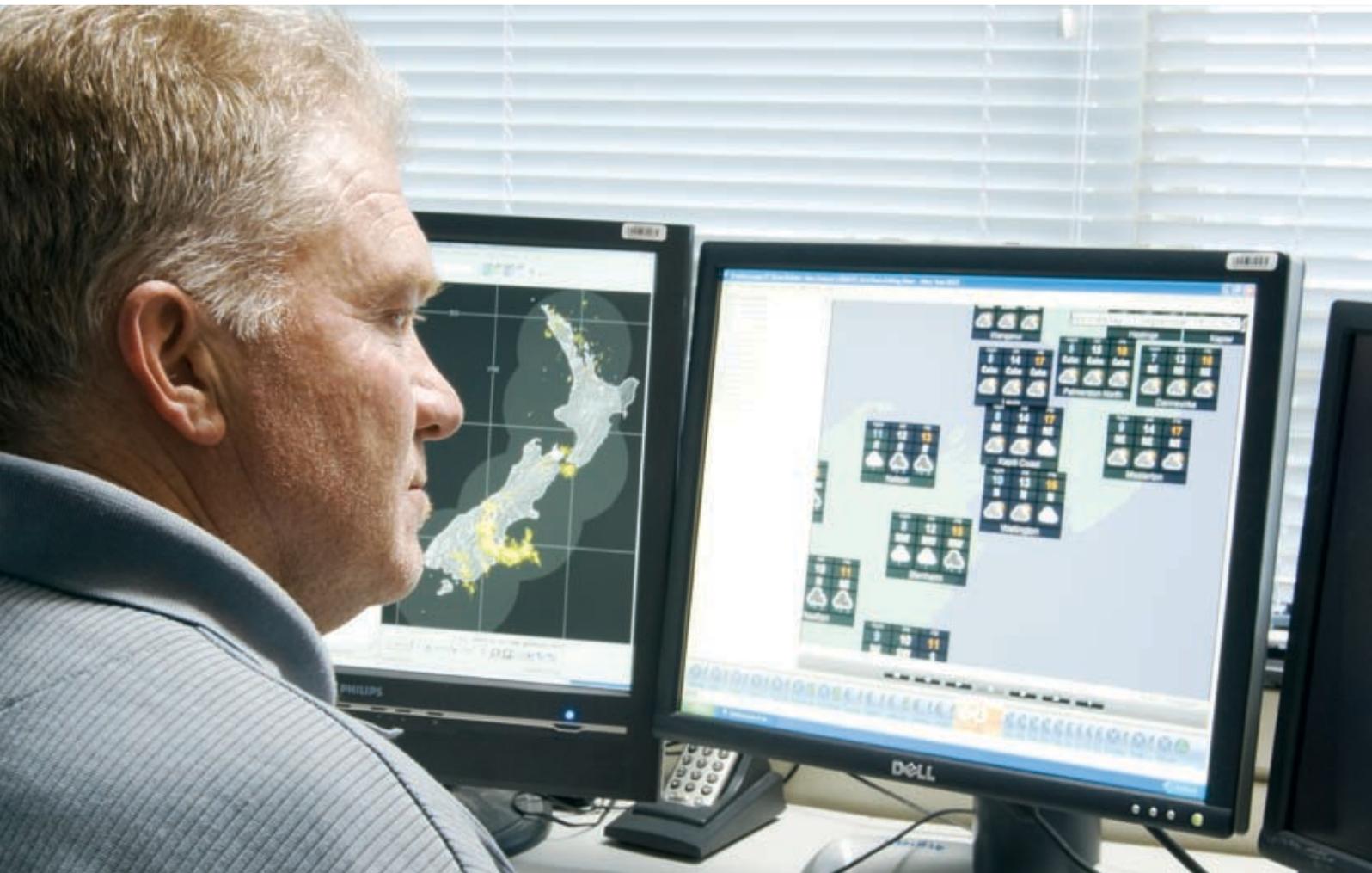
Computer-based modelling is one of the powerhouses of modern day forecasting and we invest significant resources in advancing our high-resolution numerical weather prediction modelling capability. This year we have achieved those advances through the implementation of the Weather Research and Forecasting (WRF) model, and the development of new model guidance products to support forecasting operations.

As we continue to place more emphasis on prediction models – both in forecasting operations and new commercial products – their validation is becoming increasingly important. This is an endeavour that involves some scientific challenge, particularly around the interpretation of model forecasts compared with observations. However, we have begun investigating advanced validation techniques using the Model Evaluation Toolkit developed at the US National Center for Atmospheric Research as part of the WRF programme.

#### Probabilistic Forecasts for the Energy Sector

After nearly three years' work, we completed our Unified 15-Day Probabilistic Forecasts project in July 2008. Supported by Technology New Zealand's Technology for Business Growth programme, the project's main aims were to improve the accuracy of wind and temperature forecasts and incorporate reliable probabilistic information to support business risk management decisions. In achieving these objectives the project has prompted the development of new energy products and provided a solid platform for future statistical forecasting initiatives.

During the year we launched one of the resulting products, Forecast the Forecast (see Energy, page 15) to energy traders. We also began production of a trial form of Probability Distribution Forecasts for New Zealand and Australia.



### Investment in Infrastructure

#### Improved Aviation Observing Network

2007/2008 saw the first stage of a major capital investment programme that will deliver a modern and efficient network of observation equipment to support New Zealand’s aviation requirements. The programme involves the expansion and upgrade of our AWS network consistent with International Civil Aviation Organisation Standards and Recommended Practices. The programme also involves the replacement of costly manual observations with automated METAR reports at key airport sites.

Opposite page, Media Meteorologist Cameron Coutts prepares a TV presentation using WeatherScape XT, which will be seen by the New Zealand population that night.

Right and below, the commissioning of the new weather radar facility at New Plymouth marked the start of a programme through to 2012 to provide increased radar coverage of New Zealand as depicted in the map bottom right.

#### Improved Radar Coverage

We commissioned a new weather radar facility in New Plymouth on 30 May 2008, substantially improving coverage of the western and central North Island. A further four new radars will be installed around the country over the next four years to improve our regional weather observing capability. The enhanced capability is particularly important to the delivery of severe weather and severe convection warning services.

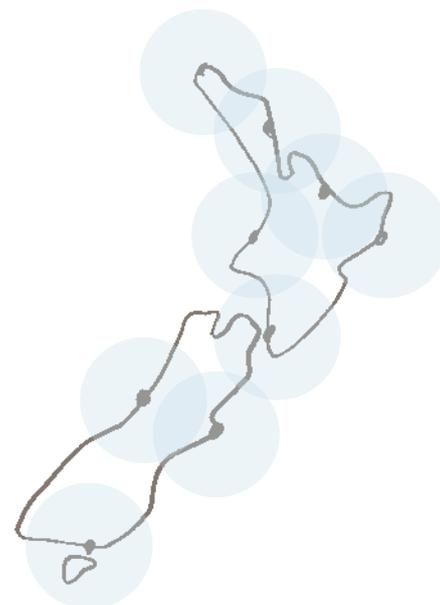
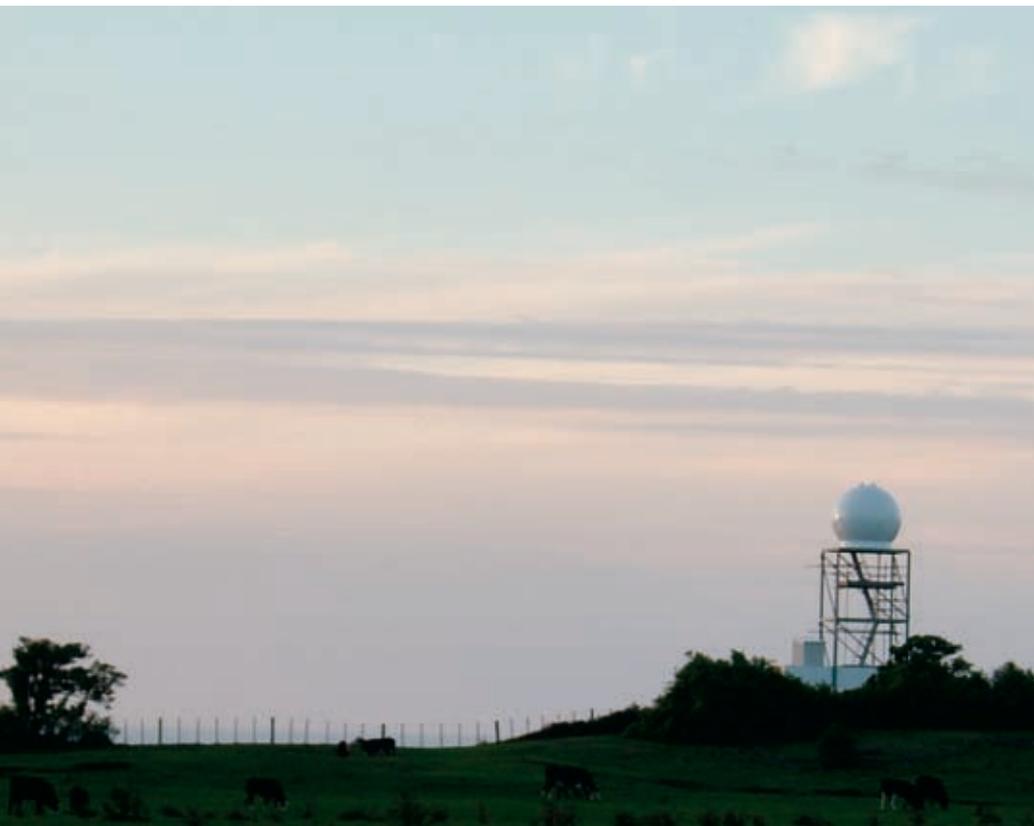
The next two radar installations will be on the Mahia Peninsula, providing coverage of the Hawke’s Bay and Gisborne regions, and in the Bay of Plenty. After recently securing the Mahia site we have begun the engineering design and resource consent processes. Investigation into suitable sites for the Bay of Plenty facility is continuing.

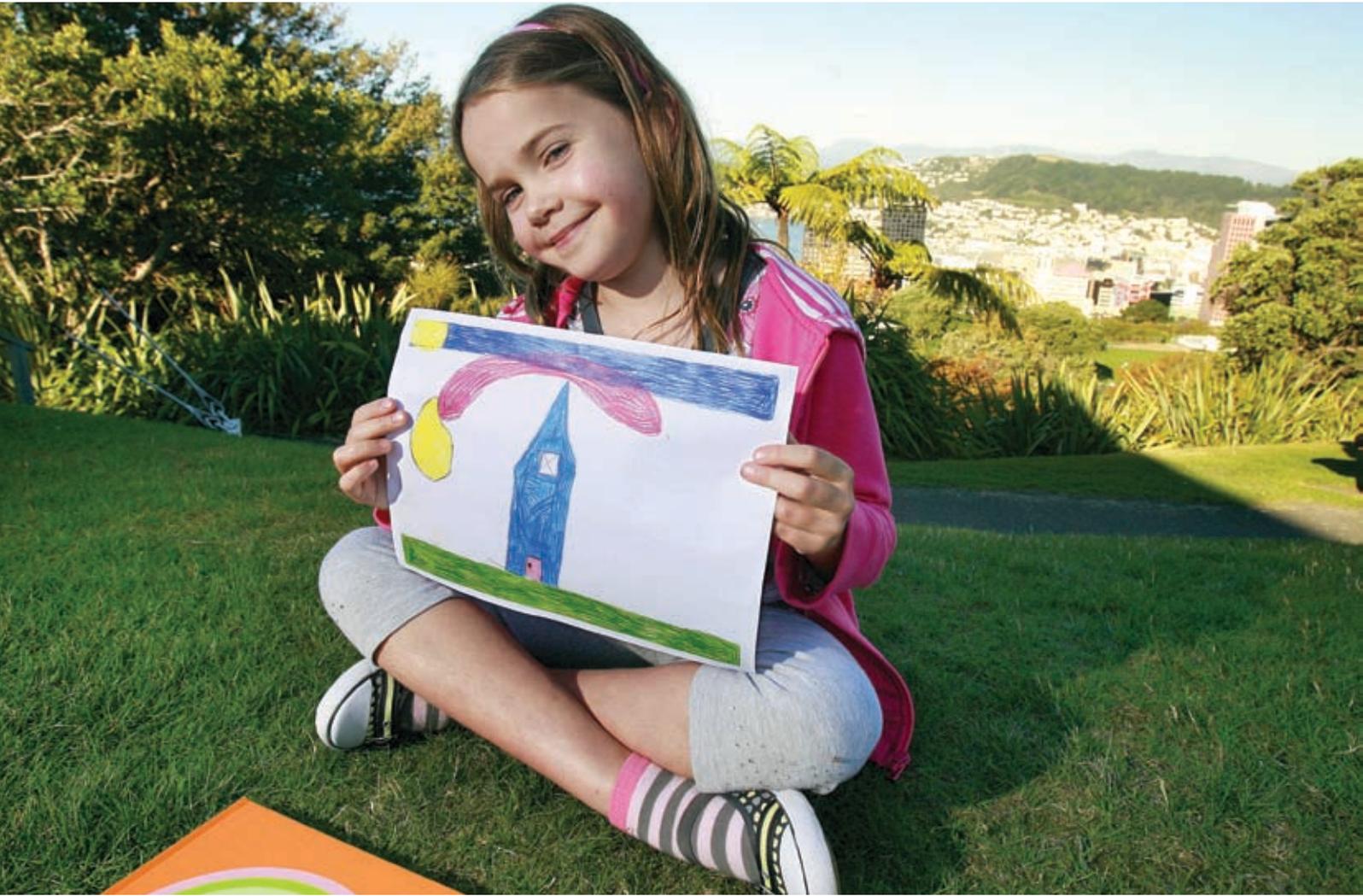


#### More Secure Information Technology

As the platform for much of our business, we have invested heavily in MetService’s IT infrastructure. Now operational, our new Data Centre is ensuring improved resilience of our critical services, providing seismic isolation, dual power, fire suppression and enhanced generator backup. All central computing systems have been migrated into the facility and a complete inventory of systems and processes established.

Currently, we are progressing a programme of work to implement new IT security policies and practices following recommendations of an external security review completed during the year.





### International Leadership

MetService has an established legacy of industry leadership through our involvement in the activities of the World Meteorological Organization (WMO) and through support for meteorological services in the Pacific and Africa.

The development projects we participated in this year had a strong international focus and included:

- managing a United States Government project to establish an African Technical Support Team within the Uganda Department of Meteorology responsible for monitoring Global Upper-Air Network (GUAN) and Global Surface Network (GSN) stations in eastern and southern Africa
- establishing two-way email and low-speed data communications facilities for Tonga's meteorological stations. The facilities allow critical meteorological and other emergency data to be freely and reliably communicated at low cost
- transferring day-to-day operations of the Penrhyn Island upper-air observing programme from a MetService contractor to a local operator. The station will be jointly managed by MetService and the Cook Islands Meteorological Service
- providing expert communications advice to the Australian Pacific Tsunami Needs Assessment Team mission to Samoa and Vanuatu
- restoring and upgrading the Kiribati GSN
- upgrading the Fiji Meteorological Service's AWS network.

MetService representatives also participated in a number of WMO conferences:

- in collaboration with NIWA, the 12th SPREP Meeting of Regional Meteorological Service Directors
- the 7th Southern Hemisphere Tropical Cyclone Workshop

- Data Buoy Co-operation Panel and Joint Tariff Agreement (JTA) meetings
- delivery of a paper at the International Symposium on Public Weather Services
- 23rd session of the Executive Council Panel of Experts on Education and Training
- a meeting of the Expert Team on Communication Techniques and Structure
- the 60th session of the Executive Council.

In early 2008, the WMO released a book featuring a collection of weather art produced by children around the globe. An international jury selected a drawing by Kate Lund of Dannevirke for inclusion. Kate (pictured above) was five when she completed her drawing of clouds while attending a 2006 school holiday programme weather drawing class. The class was part of our sponsorship of a Te Papa exhibition that included John Constable cloudscapes.

## MetService People

MetService is fortunate to benefit from a high-quality workforce that is a major driver of our sustained success. During the year, our people have applied energy, innovation and professionalism with very pleasing results. As a Board and management team we are committed to providing a work environment that both acknowledges and fosters their immense contribution.

An achievement by one of our employees this year deserves particular recognition. Penehuro Lefale is now a Nobel Laureate. As a contributing author of the fourth assessment report of the Intergovernmental Panel on Climate Change, Penehuro was part of a team of scientists awarded the Nobel Peace Prize in October 2007.

While much of our focus this year has been on putting in place the infrastructure that will ensure we continue as a dynamic forward-looking business, at year end it is more heavily trained on our people. Human Resources is now a key business function. We have begun developing robust HR frameworks that focus on supporting the business direction, ensuring we have the appropriate skills, knowledge and experience in place and that we recognise the talent that exists within our business teams.

During the year, we completed a Gallup Q12 survey of employee engagement, achieving a 98% participation rate. All work groups in the company have now developed action plans for the coming year to address issues raised in the survey.

Our team of WMO graduate meteorologists provides the essential skills to support our core business and represent a key MetService resource. Currently at the half-way point, the 10 recruits on the 2008 meteorologist training course are progressing well.

The year saw a number of changes to the MetService Board. Shale Chambers, Graham Hill, Tom Jamison and John Hercus all completed their terms and stood down. We thank them for their contribution to the success of the company. In their place we are pleased to welcome new directors Sarah Astor (Deputy-Chair), Gregory Whitau, David Houldsworth and James Koh.

Our achievements this year stand us in an exceptionally positive position to continue providing our customers and the people of New Zealand with the excellent service they have come to expect from MetService. We thank our suppliers and our customers for their support and look forward to building on our productive working relationships with you.

We also thank all our people for their hard work and drive. The year ahead will be another exciting one and, with your contribution, we are confident that it will also be another successful one.

A F Small

**Francis Small, Chairman**

Paul Reid

**Paul Reid, Chief Executive**



Above, Penehuro Lefale, part of a team of scientists awarded the Nobel Peace Prize in October 2007.

Left, through its accredited Meteorologists Course, MetService in conjunction with Victoria University of Wellington provides postgraduate training for its meteorologists to World Meteorological Organization (WMO) standards.

# METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors have pleasure in presenting the Annual Report, together with the audited financial statements of Meteorological Service of New Zealand Limited for the year ended 30 June 2008.

### Business Activities

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

Related to the core business is the acquisition, processing, interpretation, presentation and dissemination of near real-time non-weather information.

### Results of Operations

	2008	2007
	\$000	\$000
Net Surplus attributable to Shareholders	2,893	2,289
Interim Dividends Paid	–	(800)
Special Dividends Paid	–	(1,439)
Final Dividend Paid	–	(1,037)
Retained Earnings at beginning of the year	716	1,703
<b>Retained Earnings at end of year</b>	<b>3,609</b>	<b>716</b>

### Changes In 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. Karen Shires with support of PricewaterhouseCoopers audit the Meteorological Service of New Zealand Limited on behalf of the Auditor-General.

During the year, amounts received or due and receivable by PricewaterhouseCoopers were: Meteorological Service of New Zealand Limited – Audit \$49,765 (2007: \$63,223) and Other Services \$nil (2007: \$nil) Metra Information Limited – Audit \$12,000 (2007: \$9,000) Other Services \$nil (2007: \$nil).

### Remuneration of Employees

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

\$000	Number
100 – 109	5
110 – 119	6
120 – 129	5
150 – 159	1
160 – 169	1
170 – 179	1

190 – 199	1
230 – 239	1
270 – 279	2*
360 – 369	1

\* includes redundancy payments

### 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).

F Small (Chairman)	46,000.00	
S Astor (Deputy Chair)	19,166.65	Start Nov 07
J Keestra	23,000.00	
P Shaverien	23,000.00	
D Houldsworth	15,333.33	Start Nov 07
G Whitau	15,333.33	Start Nov 07
G Hill	7,333.33	Fin Oct 07
S Chambers	9,083.34	Fin Oct 07
J Hercus	19,166.67	Fin April 07
T Jamison	19,166.66	Fin April 07
Total Directors' Remuneration	196,583.31	

### Directors' Interests Register

A F Small	Shareholder/ Director Councillor	Murray King & Francis Small Consultancy WelTec
S Astor	Director Director Director Trustee Trustee Trustee	Novo Strategic Brand Management Christchurch City Holdings Ltd Priority Finance Ltd Sasco Holdings Ltd Church Property Trustees AdFund Warren Architectural Trust
J Keestra	Shareholder/ Director Shareholder/ Director	Keestra Consulting Aviation Consulting Partners

Directors from left,  
 Joanne Keestra, Sarah Astor (Deputy-Chair),  
 Francis Small (Chairman), Gregory Whitau,  
 Polly Schaverien, David Houldsworth.

Absent from photo, James Koh.



P Schaverien	Director	Meridian Energy Limited
D Houldsworth	Director	NZ Wool Services Intl Ltd
	Director	Energy Intellect Ltd
	Director	Stream Information Ltd
	Shareholder/ Director	Midas New Zealand Ltd
	Shareholder/ Director	Won Door New Zealand Ltd
	Shareholder/ Director	Bentwood Investments Ltd
	Director	RetraVision NZ Ltd
G Whitau	Shareholder/ Director	Team Logistics Ltd
	Director	TNL International (Auckland) Ltd
	Shareholder/ Director	Twentyeleven Ltd (trading as The Complete Garden Opawa)

**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 has made no donations in the latest financial 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 19 August 2008.**

*A F Small*

A F Small, Chairman

*S Astor*

S Astor, Director

# Meteorological Service of New Zealand Ltd

## Income Statements

		Group 2008	Group 2007	Parent 2008	Parent 2007
<b>FOR THE YEAR ENDED 30 JUNE 2008</b>	<b>Note</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
Operating Revenue		34,983	31,336	24,954	28,370
<b>OPERATING EXPENSES</b>					
Employee Benefits Expense	3	16,696	14,557	12,187	13,330
Communication Costs		829	929	672	843
Data Acquisition Costs		3,878	3,797	3,680	3,645
EDP Costs		766	599	727	565
Marketing Costs		834	1,035	98	508
Operating Lease Expenses	24	591	525	513	460
Office Expense Costs		246	197	182	167
Professional Expense Costs		1,634	758	628	612
Other Costs		1,766	2,260	1,219	1,790
Depreciation and Amortisation Expense		3,046	2,944	2,240	2,373
<b>Total Operating Expenses</b>	<b>2</b>	<b>30,286</b>	<b>27,601</b>	<b>22,146</b>	<b>24,293</b>
<b>OPERATING PROFIT</b>		<b>4,697</b>	<b>3,735</b>	<b>2,808</b>	<b>4,077</b>
Financial Costs	4	289	207	292	183
Share of Profits of Jointly Controlled Entity	14	7	–	–	–
<b>PROFIT BEFORE TAXATION</b>		<b>4,415</b>	<b>3,528</b>	<b>2,516</b>	<b>3,894</b>
Taxation Expense	5	(1,522)	(1,239)	(843)	(1,404)
<b>Net Profit Attributable to Equity Holders</b>		<b>2,893</b>	<b>2,289</b>	<b>1,673</b>	<b>2,490</b>

The accompanying Notes to the Financial statements form part of these financial statements.

# Meteorological Service of New Zealand Ltd

## Balance Sheets

AS AT 30 JUNE 2008	Note	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>EQUITY</b>					
Issued Capital	6	5,000	5,000	5,000	5,000
Retained Earnings	21	3,609	716	1,359	(314)
<b>Total Equity</b>		<b>8,609</b>	<b>5,716</b>	<b>6,359</b>	<b>4,686</b>
<b>LIABILITIES</b>					
Bank Advance	12	1,000	–	1,000	–
Trade and Other Payables	7	4,869	3,605	3,696	2,994
Directors' Fees Payable		30	57	30	57
Employee Benefits	9	1,616	1,736	1,616	1,736
Income Taxation Payable	5	–	–	–	67
Provisions	10	333	284	333	284
Provision for Dividend	22	–	1,650	–	1,650
Borrowings	11	800	–	800	–
<b>Total Current Liabilities</b>		<b>8,648</b>	<b>7,332</b>	<b>7,475</b>	<b>6,788</b>
Provisions	10	227	253	227	253
Borrowings	11	4,000	4,000	4,000	4,000
<b>Total Non Current Liabilities</b>		<b>4,227</b>	<b>4,253</b>	<b>4,227</b>	<b>4,253</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>21,484</b>	<b>17,301</b>	<b>18,061</b>	<b>15,727</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	25	127	270	(48)	77
Trade and Other Receivables	8	4,831	3,834	3,078	3,093
Amounts Owing from Related Parties	12	–	–	931	516
Bank Deposits	12	–	1,567	–	1,567
Other Financial Assets	20	53	–	53	–
Inventories	13	659	457	659	457
Income Taxation Receivable	5	804	320	1,478	–
<b>Total Current Assets</b>		<b>6,474</b>	<b>6,448</b>	<b>6,151</b>	<b>5,710</b>
Deferred Taxation	5	409	657	17	703
Property Plant and Equipment	19	11,076	7,629	10,285	7,465
Investments in Jointly Controlled Entities	14	787	–	–	–
Other Financial Assets	20	113	–	7	–
Other Intangible Assets	18	2,625	2,567	1,601	1,849
<b>Total Non Current Assets</b>		<b>15,010</b>	<b>10,853</b>	<b>11,910</b>	<b>10,017</b>
<b>TOTAL ASSETS</b>		<b>21,484</b>	<b>17,301</b>	<b>18,061</b>	<b>15,727</b>

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 19 August 2008.

A F Small

A F Small, Chairman

S Astor

S Astor, Director

# Meteorological Service of New Zealand Ltd

## Statements of Changes in Equity

		Fully Paid Ordinary Shares \$000s	Retained Earnings \$000s	Total \$000s
<b>FOR THE YEAR ENDED 30 JUNE 2008</b>				
<b>GROUP 2008</b>				
<b>EQUITY AS AT 1 JULY 2007</b>	6, 21	<b>5,000</b>	<b>716</b>	<b>5,716</b>
Net Profit		–	2,893	2,893
<b>Total Recognised Income and Expenses</b>		–	<b>2,893</b>	<b>2,893</b>
<b>EQUITY AS AT 30 JUNE 2008</b>		<b>5,000</b>	<b>3,609</b>	<b>8,609</b>
<b>GROUP 2007</b>				
<b>EQUITY AS AT 1 JULY 2006</b>	6, 21	<b>5,000</b>	<b>1,703</b>	<b>6,703</b>
Net Profit		–	2,289	2,289
<b>Total Recognised Income and Expenses</b>		–	<b>2,289</b>	<b>2,289</b>
<b>Payment of Dividends</b>				
Interim Dividends	22	–	(800)	(800)
Final Dividend	22	–	(1,439)	(1,439)
Special Dividend	22	–	(1,037)	(1,037)
<b>Total Dividends</b>		–	<b>(3,276)</b>	<b>(3,276)</b>
<b>EQUITY AS AT 30 JUNE 2007</b>		<b>5,000</b>	<b>716</b>	<b>5,716</b>
<b>PARENT 2008</b>				
<b>EQUITY AS AT 1 JULY 2007</b>	6, 21	<b>5,000</b>	<b>(314)</b>	<b>4,686</b>
Net Profit		–	1,673	1,673
<b>Total Recognised Income and Expenses</b>		–	<b>1,673</b>	<b>1,673</b>
<b>EQUITY AS AT 30 JUNE 2008</b>		<b>5,000</b>	<b>1,359</b>	<b>6,359</b>
<b>PARENT 2007</b>				
<b>EQUITY AS AT 1 JULY 2006</b>	6, 21	<b>5,000</b>	<b>472</b>	<b>5,472</b>
Net Profit		–	2,490	2,490
<b>Total Recognised Income and Expenses</b>		–	<b>2,490</b>	<b>2,490</b>
<b>Payment of Dividends</b>				
Interim Dividends	22	–	(800)	(800)
Final Dividend	22	–	(1,439)	(1,439)
Special Dividend	22	–	(1,037)	(1,037)
<b>Total Dividends</b>		–	<b>(3,276)</b>	<b>(3,276)</b>
<b>EQUITY AS AT 30 JUNE 2007</b>		<b>5,000</b>	<b>(314)</b>	<b>4,686</b>

The accompanying Notes to the Financial statements form part of these financial statements.

# Meteorological Service of New Zealand Ltd

## Statement of Cash Flow

FOR THE YEAR ENDED 30 JUNE 2008	Note	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Cash was Provided from:</b>					
Receipts from Customers		36,342	31,645	25,986	28,679
Interest Received		31	141	28	125
<b>Cash was Applied to:</b>					
Payments to Suppliers and Employees		(28,734)	(25,028)	(20,209)	(22,234)
Interest Paid		(345)	(271)	(332)	(271)
Income Taxation Paid		(1,757)	(818)	(1,700)	(763)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	23	<b>5,537</b>	<b>5,669</b>	<b>3,773</b>	<b>5,536</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
<b>Cash was Provided from:</b>					
Proceeds from Disposal of Property, Plant and Equipment		-	-	-	-
<b>Cash was Applied to:</b>					
Purchase of Property Plant and Equipment	19	(6,550)	(4,775)	(4,815)	(4,341)
Investments in Jointly Controlled Entities	14	(847)	-	-	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		<b>(7,397)</b>	<b>(4,775)</b>	<b>(4,815)</b>	<b>(4,341)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
<b>Cash was Applied to:</b>					
Dividends	22	(1,650)	(1,626)	(1,650)	(1,626)
Increased Borrowings	11	800	-	-	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(850)</b>	<b>(1,626)</b>	<b>(1,650)</b>	<b>(1,626)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,710)</b>	<b>(732)</b>	<b>(2,692)</b>	<b>(431)</b>
Add Cash and Cash Equivalents at the beginning of the year		1,837	2,569	1,644	2,075
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>(\$873)</b>	<b>\$1,837</b>	<b>(\$1,048)</b>	<b>\$1,644</b>
Money Market – On Call Deposits	12	-	1,567	-	1,567
Money Market – On Call Advance	12	(1,000)	-	(1,000)	-
<b>CASH AT THE END OF THE YEAR</b>	25	<b>\$127</b>	<b>\$270</b>	<b>(\$48)</b>	<b>\$77</b>

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 1 STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Limited ("Parent") and the consolidated financial statements of the group comprising of Meteorological Service of New Zealand Limited and the wholly owned subsidiary Metra Information Limited ("Group"). These financial statements were authorised for issue by the Board of Directors on 19 August 2008.

#### Adoption of New and Revised Standards

##### Standards effective in the current period

In the current year the Group has adopted NZ IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to NZ IAS 1 Presentation of Financial Statements.

The impact of the adoption of NZ IFRS 7 and the changes to NZ IAS 1 has been to expand the disclosures provided in these financial statements regarding financial instruments and management of capital.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning 1 July 2009.

- (i) NZ IAS 23 (revised): "Borrowing Costs" (effective 1 January 2009). The amendment to this standard requires an entity to capitalise borrowing costs directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. The option immediately expensing those borrowing costs will be removed. The Group will apply NZ IAS 23 (revised) from 1 July 2009 but it is currently not applicable to the Group as there are no qualifying assets.
- (ii) NZ IFRS 8: "Operating Segments" (effective 1 January 2009). The new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply NZ IFRS 8 from 1 July 2009. Adoption of this standard by the Group will result in disclosure of operating segment revenues, profit, assets and liabilities.

- (iii) NZ IFRS 3 (revised): "Business Combination" (effective 1 January 2009). The amendments to this standard will require, among other things, that transaction costs incurred in connection with a business combination be expensed when incurred and not included in the cost of the acquiree; that contingent consideration be recognised at fair value at date of acquisition with subsequent changes in the fair value of contingent consideration recognised in the income statement; and an option to recognise goodwill using the "full goodwill method" whereby the entire amount of goodwill inherent in the acquiree is recognised irrespective of the proportionate interest acquired. The Group will apply the amendments to NZ IFRS 3 from 1 July 2009 for any business combinations entered into subsequent to that date.

- (iv) NZ IAS 1: Presentation of financial statements (effective 1 January 2009).

#### 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). Compliance with NZ IFRS also ensures compliance with International Financial Reporting Standards ("IFRS"). The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State Owned Enterprise Act 1986.

The Company 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.

#### 1A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle 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 2008 using the purchase method. 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 Income Statement 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 in the Parent company's financial statements.

##### Jointly Controlled Entities

The Group's interest in jointly controlled entities is accounted for using the equity method of accounting. Investments in jointly controlled entities are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of post-acquisition profits or losses of jointly controlled entities is recognised in the Income Statement.

All significant transactions between Group companies and the Group's jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities.

##### 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.

##### Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 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.

### Interest Income

Interest income is accounted for using the effective interest rate method

### 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 Income Statement 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 is 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 Income Statement 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 Equipment	20.0% – 33.3%
Furniture & Fittings	20.0% – 33.3%
Leasehold Property	3.1% – 5.0%
Meteorological Equipment	10.0% – 33.0%
Motor Vehicles	15.0% – 20.0%
Office Equipment	20.0% – 33.0%
Plant & Equipment	10.0% – 33.0%

The remaining useful lives of assets are reviewed periodically, and the annual depreciation charge is adjusted where necessary.

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

### 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 on acquisition of jointly controlled entities is included in "Investments in Jointly Controlled Entities" and is tested for impairment as part of the overall balance on an annual basis. Impairment losses on goodwill are recognised in the Income Statement and are not reversed.

#### 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.

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 developing or 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 Income Statement 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	33.0%
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### 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 income statement 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.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 Income Statement.

### 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) Long Service Leave

The liability for long service 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 Income Statement 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 presentation currency.

#### Transactions and balances

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

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

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

### Financial Instruments

Financial instruments carried on the Balance Sheet include cash and cash equivalents, trade and other receivables, amounts owing from subsidiaries, other financial assets, income tax receivable, trade and other payables, Directors fees payable, employee entitlements, income tax payable, provision for dividend, and borrowings.

## 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 into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group only holds financial assets categorised as financial asset at FVTPL or as loans and receivables.

### 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.

### Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified in this category if acquired principally for selling in the short term. Derivatives are also classified as held for trading.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the Income Statement. The net gain or loss recognised incorporates any dividend or interest earned on the financial asset.

The only financial assets at FVTPL are derivatives held for trading (note 20). All other financial assets are classified as loans and receivables.

### Loans and receivables

Trade receivables, 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, other than those at FVTPL, 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 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 Income Statement.

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 previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### 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

### Classification

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Derivatives are also classified as held for trading. A financial liability is classified in this category if it has been incurred principally for the purpose of repurchasing in the short term.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the Income Statement. The net gain or loss recognised incorporates any interest paid on the financial liability. The only financial liabilities at FVTPL are derivatives (note 20). All other financial liabilities are at amortised cost.

### Other financial liabilities

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

Other 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.

### Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Income Statement immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## Statement of Cash Flows

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, 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, except for accounts payable and accounts receivable, which include GST invoiced.

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

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 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 Income Statement.

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 Income Statement.

### 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 9: Employee Benefits – measurement of amounts recognised in respect of long service leave
- (ii) Note 10: Provisions – measurement of restoration provisions
- (iii) Note 14: Investment in Jointly Controlled Entities – measurement of the recoverable amount of the investment in jointly controlled entities
- (iv) Note 18: Other Intangible Assets – measurement of the recoverable amount of internally developed intangible assets.
- (v) Note 26: Financial Instruments – valuation of financial instruments

## 2 OPERATING EXPENDITURE

Profit for the year has been arrived after charging/(crediting)

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
Audit Fees	62	67	50	58
Fees for Other Services provided by Auditor	–	–	–	–
(Gain)/Loss on Disposal of Property, Plant and Equipment	–	(1)	–	1
Directors' Fees	197	181	197	181
Bad Debts Recovered	–	(1)	–	(1)
Software Development Expenditure	141	66	119	47
Impairment Losses on Financial Assets	–	48	–	48

## 3 EMPLOYEE BENEFITS EXPENSE

Wages and salaries including termination benefits and profit-share

bonus plan expenses	18,102	16,070	13,895	14,893
Labour capitalised	(2,339)	(2,154)	(2,339)	(2,154)
Contractors / Temporary	380	58	213	55
Other employee benefits	553	583	418	536
<b>Total Employee Benefits</b>	<b>\$16,696</b>	<b>\$14,557</b>	<b>\$12,187</b>	<b>\$13,330</b>

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>4 FINANCE COSTS – NET</b>				
Interest Revenue				
Bank Deposits	31	120	28	111
IRD – Use of Money Interest	–	29	–	22
<b>Total Finance Income</b>	<b>\$31</b>	<b>\$149</b>	<b>\$28</b>	<b>\$133</b>
Bank Fees	39	29	18	17
Interest on Bank Overdrafts and Loans	382	296	362	296
Net Foreign Exchange (Gains)/Losses	(41)	31	–	3
Fair Value (Gains)/Losses on Forward Foreign Exchange Contracts	(60)	–	(60)	–
<b>Total Finance Costs</b>	<b>\$320</b>	<b>\$356</b>	<b>\$320</b>	<b>\$316</b>
<b>Finance Costs – Net</b>	<b>\$289</b>	<b>\$207</b>	<b>\$292</b>	<b>\$183</b>
<b>5 TAXATION EXPENSE</b>				
Operating Surplus before taxation	4,415	3,528	2,516	3,894
Prima facie taxation there on at 33 percent	1,457	1,164	830	1,285
The Taxation Effect of Permanent Differences is as follows:				
Non-deductible legal fees	13	5	3	–
Non-deductible entertainment	10	29	8	29
Prior Year Adjustment	–	(21)	–	(21)
Deferred tax not previously brought to account	–	62	–	111
Effect of changes in tax rates	42	–	2	–
<b>Taxation Expense</b>	<b>\$1,522</b>	<b>\$1,239</b>	<b>\$843</b>	<b>\$1,404</b>
Prior Year Adjustment	–	(21)	–	(21)
Current Taxation	1,366	1,104	691	1,233
Deferred Taxation	156	156	152	192
<b>Taxation Expense</b>	<b>\$1,522</b>	<b>\$1,239</b>	<b>\$843</b>	<b>\$1,404</b>
<b>CURRENT TAX ASSETS AND LIABILITIES</b>				
<i>Current Tax Assets</i>				
Tax Refund Receivable	804	320	1,478	–
	<b>\$804</b>	<b>\$320</b>	<b>\$1,478</b>	–
<i>Current Tax Liabilities</i>				
Income Tax Payable	–	–	–	67
	–	–	–	<b>\$67</b>
<b>DEFERRED TAX</b>				
<b>Deferred tax assets/(liabilities) arise from the following:</b>				
<i>Temporary differences</i>				
Property, plant and equipment	(174)	86	(596)	92
Intangible assets	(46)	(63)	(11)	(23)
Provisions and other liabilities	624	627	624	627
Doubtful debts	5	7	–	7
	<b>\$409</b>	<b>\$657</b>	<b>\$17</b>	<b>\$703</b>

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>5 TAXATION EXPENSE (continued)</b>				
<b>Deferred Taxation</b>				
Opening Balance	657	813	703	895
On Surplus for the year	(156)	(156)	(152)	(192)
Write off of deferred tax	(50)	–	(532)	–
Effect of changes in tax rates	(42)	–	(2)	–
<b>Closing Balance</b>	<b>\$409</b>	<b>\$657</b>	<b>\$17</b>	<b>\$703</b>
<b>Imputation Credit Account</b>				
Imputation Credit Account 1 July	1,885	1,936	1,017	1,059
Income Taxation Paid during the Year (net of tax refunds)	1,700	750	–	–
Imputation Credits attached to Dividends Paid during the Year	–	(801)	–	(42)
<b>Imputation Credit Account 30 June</b>	<b>\$3,585</b>	<b>\$1,885</b>	<b>\$1,017</b>	<b>\$1,017</b>
<b>Imputation Credits Available Directly and Indirectly to Shareholders of the Parent Company, through:</b>				
Parent Company	<b>\$1,017</b>	<b>\$1,017</b>		
Subsidiaries	<b>\$2,568</b>	<b>\$868</b>		
<b>Total</b>	<b>\$3,585</b>	<b>\$1,885</b>		

### 6 ISSUED CAPITAL

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

Trade Payables	625	788	597	824
Other Payables	1,063	877	1,084	902
Accruals	1,735	995	1,119	744
Income in Advance	1,446	945	896	524
<b>Total Trade and Other Payables</b>	<b>\$4,869</b>	<b>\$3,605</b>	<b>\$3,696</b>	<b>\$2,994</b>

The average credit period on purchases is seven to 30 days.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### 8 TRADE AND OTHER RECEIVABLES

Trade Receivables	3,792	3,162	2,444	2,590
Allowance for Impairment	(16)	(20)	–	(20)
	<b>\$3,776</b>	<b>\$3,142</b>	<b>\$2,444</b>	<b>\$2,570</b>
Prepayments	567	342	505	311
Other	488	350	129	212
<b>Total Trade and Other Receivables</b>	<b>\$4,831</b>	<b>\$3,834</b>	<b>\$3,078</b>	<b>\$3,093</b>

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.

Before accepting a new customer, the Group requires a credit application to be completed and references are contacted.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$29,019 (2007: \$90,728) 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. The average age of receivables is 37 days (2007: 34 days).

Included in the Parent's trade receivable balance are debtors with a carrying amount of \$3,870 (2007: \$nil) 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. The average age of receivables is 32 days (2007: 31 days).

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>Ageing Past Due Trade Receivables</b>				
60 – 90 days	19	13	2	–
90 – 120 days	26	78	2	–
<b>Total</b>	<b>\$45</b>	<b>\$91</b>	<b>\$4</b>	<b>–</b>

#### **Movement in the Allowance for Impairment**

<b>Balance at beginning of the year</b>	<b>(\$20)</b>	<b>(\$60)</b>	<b>(\$20)</b>	<b>(\$60)</b>
Impairment losses recognised on receivables	–	–	–	–
Amounts written off as uncollectable	–	39	–	39
Amounts recovered during the year	–	1	–	1
Impairment losses reversed	4	–	20	–
<b>Balance at end of the year</b>	<b>(\$16)</b>	<b>(\$20)</b>	<b>–</b>	<b>(\$20)</b>

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 \$16,141 (2007: \$39,740) for the Group and \$nil (2007: \$39,740) 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**

Annual Leave Entitlement		1,339	1,226	1,339	1,226
Termination Leave	(i)	277	259	277	259
Profit Share		–	251	–	251
<b>Total Employee Benefits</b>		<b>\$1,616</b>	<b>\$1,736</b>	<b>\$1,616</b>	<b>\$1,736</b>

#### **(i) Termination Leave**

Opening Balance as at 1 July 2007		259	270	259	270
Additional Amounts Recognised		18	–	18	–
Reductions Arising from Payments/Other Sacrifices of Future Economic Benefits		–	–	–	–
		–	(11)	–	(11)
Closing Balance as at 30 June 2008		<b>\$277</b>	<b>\$259</b>	<b>\$277</b>	<b>\$259</b>

The liability for employee benefits represents annual leave and long service 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. Profit share was available to all employees up until December 2007, it was then included in employee salaries.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>10 PROVISIONS</b>				
<b>Current</b>				
Restoration Provision	333	284	333	284
<b>Total Current Provisions</b>	<b>\$333</b>	<b>\$284</b>	<b>\$333</b>	<b>\$284</b>
<b>Non Current</b>				
Restoration Provision	227	253	227	253
<b>Total Non Current Provisions</b>	<b>\$227</b>	<b>\$253</b>	<b>\$227</b>	<b>\$253</b>
<b>Restoration Provision</b>				
Opening Balance as at 1 July 2007	537	524	537	524
Additional Provisions Recognised	23	13	23	13
Reductions Arising from Payments/Other Sacrifices of Future Economic Benefits	–	–	–	–
Closing Balance as at 30 June 2008	560	537	560	537
<b>Total Provisions</b>	<b>\$560</b>	<b>\$537</b>	<b>\$560</b>	<b>\$537</b>

### Restoration Provision

The Parent has a number of sites leased around the country for the purpose of housing Weather Stations or related equipment. A restoration provision has been calculated for those sites that contractually require the site to be restored to its original state on expiry of the licence to occupy. The Restoration provision is an estimate of the cost (in today's dollars) of restoring current leased sites to their original state on termination of the lease agreement. This provision includes an estimator for restoring Campbell Island.

### Contingent Liability

Several lease agreements are held that do not mention the requirement to restore the site on termination of the lease. Because we are not contractually obligated to remove the equipment and restore the site, we cannot be certain that a liability would arise therefore the estimated cost of restoring these sites has been excluded from the provision. 2008: \$108,500 (2007: \$187,700)

## 11 BORROWINGS

### Unsecured

#### Current

Bank Loan	800	–	800	–
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#### Non Current

Bank Loan	4000	4,000	4,000	4,000
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### Total Borrowings

	<b>\$4,800</b>	<b>\$4,000</b>	<b>\$4,800</b>	<b>\$4,000</b>
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### Disclosed in the financial statement as:

Current Borrowings	800	–	800	–
Non-current Borrowings	4000	4,000	4,000	4,000
	<b>\$4,800</b>	<b>\$4,000</b>	<b>\$4,800</b>	<b>\$4,000</b>

### Summary of Borrowing Arrangements:

On 30 June 1998, the Parent entered into a term loan agreement with the Westpac Banking Corporation. This agreement was extended on 30 June 2005. The borrowings mature between 30 September 2008 and 30 June 2010. The Parent intends extending the loans on maturity. The interest rates are fixed. The average interest rate for the loans as at 30 June 2008 is 8.58% (2007: 7.48%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and a specified debt/equity ratio.

		Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>12 FINANCING FACILITIES</b>					
<b>Westpac Money Market Facility</b>					
	(i)				
Money Market – On Call Deposits		–	1,567	–	1,567
Money Market – On Call Advance		(1,000)	–	(1,000)	–
		<b>(\$1,000)</b>	<b>\$1,567</b>	<b>(\$1,000)</b>	<b>\$1,567</b>
<b>Loans to Subsidiaries</b>					
	(ii)				
Metra Information Limited – intercompany		–	–	8	516
Metra Information (Australia) Limited – intercompany		–	–	123	–
Metra Information Limited – loan		–	–	800	–
	17	–	–	<b>\$931</b>	<b>\$516</b>

**(i) Westpac Money Market Facility**

The Parent has a multi-option credit line facility with Westpac to the value of \$1,000,000. The term of this facility is to 31 December 2009 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.

**(ii) Loans to Subsidiaries**

The Meteorological Service of New Zealand provides funding to subsidiary and branch via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year. On the 31 March 2008, the Parent obtained additional funding from Westpac to purchase a 50% share in Weather Commerce. The loan is interest only. The Parent on loaned the funds to Metra Information Limited. Refer Note 11 for further information.

**13 INVENTORIES**

Finished Goods at Cost	659	457	659	457
<b>Total Inventories</b>	<b>\$659</b>	<b>\$457</b>	<b>\$659</b>	<b>\$457</b>

The cost of inventories recognised as an expense during the year was \$708,785 (2007: \$735,925)

The cost of inventories recognised as an expense includes \$nil (2007: \$nil) in respect of write-downs of inventory to net realisable value, and has been reduced by \$nil (2007: \$nil) in respect of the reversal of such write-downs.

**14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES**

**Details of the Group's jointly controlled entities are as follows:**

*Name of Jointly Controlled Entity*

Weather Commerce Limited (i)

*Principal Activity*

Tailor made on-line weather packages

*Place of Incorporation and Operation*

England and Wales

*Ownership Interest*

2008 – 50%

2007 – 0%

**(i) Weather Commerce Limited**

Pursuant to a shareholder agreement, the Group has the right to cast 50% of the votes at shareholder meetings of Weather Commerce Limited. All decisions require unanimous shareholder consent. The Group exercises joint control by virtue of its contractual right to equally govern the financial and operating policies of Weather Commerce Limited so as to obtain equal benefits from its activities. The balance date for Weather Commerce Limited is 30 June.

The Group has the option to purchase the remaining 50% of the company in March 2011. Refer note 20 for valuation of the option.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	Group 2008	Group 2007
	\$000s	\$000s
Total Assets	364	–
Total Liabilities	184	–
Net Assets	180	–
<b>Group's Share of Net Assets</b>	<b>\$90</b>	–
Total Revenue	196	–
Total Profit for the Period	13	–
<b>Group's Share of Profits of Jointly Controlled Entity</b>	<b>\$7</b>	–

Movement in the Carrying Amount of the Group's Investment in jointly controlled entity:

<b>Balance at Beginning of Year</b>	–	–
New Investments (net of call option)	780	–
Disposals	–	–
Share of Profits of Jointly Controlled Entity	7	–
Share of Dividends	–	–
<b>Balance at End of Year</b>	<b>\$787</b>	–

Goodwill included in the Carrying Amount of the Group's Investment in jointly controlled entity:

<b>Cost</b>		
Balance at beginning of the year	–	–
Additional amounts recognised from business combinations	700	–
Other	–	–
<b>Balance at end of the year</b>	<b>\$700</b>	–

Goodwill was reviewed in line with the Company's net asset position as at 30 June 2008 as well as the five year future forecast of the financial performance of Weather Commerce Limited. There have been no material changes in business in the three months since purchase therefore no impairment has been noted. Weather Commerce Limited is a separate cash generating unit.

The valuation of Weather Commerce Limited has been performed using a discount rate of 24% and an average annual growth rate of 45%.

### 15 SUBSIDIARIES

Details of the Group's Subsidiaries at 30 June 2008 are as follows:

Meteorological Service of New Zealand Limited is incorporated in New Zealand and is the parent entity of the Group. The Parent's investment in Metra Information Limited comprises shares at cost. Metra Information Limited, a company involved with the provision of weather and information presentation services, is a wholly owned subsidiary incorporated in New Zealand with a 30 June balance date.

Metra Information Limited has an investment in Metra Information (Australia) Limited which comprises shares at cost. Metra Information (Australia) Limited, a company involved in the marketing and promotion of weather and information presentation services, is wholly owned subsidiary incorporated in Australia with a 30 June balance date.

**Names**

Metra Information Limited (MIL)  
Metra Information (Australia) Limited (MIAL)

**Place of Incorporation and Operation**

MIL – New Zealand  
MIAL – Australia

**Ownership Interests and Voting Rights**

MIL – 100% (2007: 100%)  
MIAL – 100% (2007: 0%)

**Principal Activity**

MIL – Weather and Information Presentation Services  
MIAL – Marketing and Promotion of Weather Information Presentation Services

**16 BRANCHES**

Details of the Group's Branches at 30 June 2008 are as follows:

Metra Information Limited has a branch in the United Kingdom and up until December 2007 there was a branch in Spain.

**Names**

Metra Information Limited Branch (MILB)  
Metra Information Limited, Secursal en Espana Branch (MILS) – closed December 2007

**Place of Incorporation and Operation**

MILB – United Kingdom  
MILS – Spain

**Principal Activity**

MILB – Marketing and Promotion of Weather and Information Presentation Services  
MILS – Marketing and Promotion of Weather and Information Presentation Services

**17 RELATED PARTY TRANSACTIONS**

The ultimate controlling party of the Group is the Crown.

**Equity Interests in Related Parties**

Details of interests in subsidiaries and jointly controlled entities are disclosed in notes 14 and 15.

**Transactions Involving the Parent Entity**

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>Transfers of software development</b>				
Metra Information Limited	679	289	679	289
Metra Information (Australia) Limited	17	–	17	–
	<u>696</u>	<u>289</u>	<u>696</u>	<u>289</u>

The Parent develops computer software products, some of which were acquired by its subsidiary, Metra Information Limited and Metra Information (Australia) Limited. These acquisitions were made on normal commercial terms.

**Settlement of liabilities**

Metra Information Limited	–	–	4,300	1,282
Metra Information (Australia) Limited	–	–	86	–
	<u>–</u>	<u>–</u>	<u>4,386</u>	<u>1,282</u>

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

**Outstanding receivable/(payable) at year end**

Metra Information Limited	–	–	(13)	516
Metra Information (Australia) Limited	–	–	144	–
	<u>–</u>	<u>–</u>	<u>131</u>	<u>516</u>

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
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### RELATED PARTY TRANSACTIONS (17 continued)

#### **Compensation of Key Management Personnel**

Details of remuneration paid to directors is shown in note 2. Key management personnel are paid in their capacity as employees and receive salary and bonus.

Total Salaries	1,516	1,304		
Total Profit Share	65	63		

#### **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.

Meteorological Service of New Zealand Limited also undertakes transactions with other State Owned Enterprises and Government Departments. All the foregoing were carried out on a commercial and arm's length basis in the normal course of business.

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

### 18 OTHER INTANGIBLE ASSETS

#### **Internally Developed Software**

##### *Cost*

Balance at the beginning of the year		8,830	6,816	6,796	5,165
Additions – external software purchases		–	80	–	10
Additions – internal software development		1,779	1,934	1,002	1,621
Intercompany Transfer	(i)	–	–	(814)	–
Transfers from Computer Hardware & Software Equipment		(247)	–	(195)	–
Disposals		(57)	–	(57)	–
Balance at the end of the year		10,305	8,830	6,732	6,796

#### **Accumulated Amortisation and Impairment Losses**

Balance at the beginning of the year		(6,263)	(4,771)	(4,947)	(3,956)
Amortisation expense – external software		–	(12)	–	(1)
Amortisation expense – internal software development		(1,499)	(1,480)	(880)	(990)
Disposals		58	–	58	–
Intercompany Transfer	(i)	–	–	661	–
Transfers from Computer Hardware & Software Equipment		24	–	(23)	–
Balance at the end of the year		(7,680)	(6,263)	(5,131)	(4,947)

#### **Carrying Amount**

	<b>\$2,625</b>	<b>\$2,567</b>	<b>\$1,601</b>	<b>\$1,849</b>
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The amortisation expense has been included in the line item 'depreciation and amortisation expense' in the income statement.

(i) On the 1 July 2007, the company division of Business and Consumer Services (BCS) was transferred to Metra Information Limited for reporting purposes only. Assets held in this area were transferred from Meteorological Service of New Zealand to Metra Information Services Ltd at net book value. Net profit contributed by this division for the year end 30 June 2007 to the Parent was \$1,954,307.

<b>19 PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>Group 2008 \$000s</b>	<b>Group 2007 \$000s</b>	<b>Parent 2008 \$000s</b>	<b>Parent 2007 \$000s</b>
<b>Land:</b>				
Cost	118	118	118	118
<b>Carrying Amount</b>	<b>\$118</b>	<b>\$118</b>	<b>\$118</b>	<b>\$118</b>
Opening Carrying Amount	118	118	118	118
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment Losses	-	-	-	-
<b>Closing Carrying Amount</b>	<b>\$118</b>	<b>\$118</b>	<b>\$118</b>	<b>\$118</b>
<b>Land – Leasehold:</b>				
Cost	447	447	447	447
Accumulated Depreciation and Impairment	(355)	(334)	(355)	(334)
<b>Carrying Amount</b>	<b>\$92</b>	<b>\$113</b>	<b>\$92</b>	<b>\$113</b>
Opening Carrying Amount	113	134	113	134
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment Losses	-	-	-	-
Depreciation	(21)	(21)	(21)	(21)
<b>Closing Carrying Amount</b>	<b>\$92</b>	<b>\$113</b>	<b>\$92</b>	<b>\$113</b>
<b>Buildings:</b>				
Cost	844	670	844	670
Accumulated Depreciation and Impairment	(160)	(142)	(160)	(142)
<b>Carrying Amount</b>	<b>\$684</b>	<b>\$528</b>	<b>\$684</b>	<b>\$528</b>
Opening Carrying Amount	528	341	528	341
Additions	174	200	174	200
Disposals	-	-	-	-
Impairment Losses	-	-	-	-
Depreciation	(18)	(13)	(18)	(13)
<b>Closing Carrying Amount</b>	<b>\$684</b>	<b>\$528</b>	<b>\$684</b>	<b>\$528</b>
<b>Building on Leasehold Land:</b>				
Cost	1,822	1,588	1,804	1,588
Accumulated Depreciation and Impairment	(648)	(607)	(643)	(607)
<b>Carrying Amount</b>	<b>\$1,174</b>	<b>\$981</b>	<b>\$1,161</b>	<b>\$981</b>
Opening Carrying Amount	981	999	981	999
Additions	235	22	235	22
Disposals	-	-	-	-
Impairment Losses	-	-	-	-
Intercompany transfer	-	-	(13)	-
Depreciation	(42)	(40)	(42)	(40)
<b>Closing Carrying Value</b>	<b>\$1,174</b>	<b>\$981</b>	<b>\$1,161</b>	<b>\$981</b>

(i)

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

	<b>Group 2008 \$000s</b>	<b>Group 2007 \$000s</b>	<b>Parent 2008 \$000s</b>	<b>Parent 2007 \$000s</b>
<b>19 PROPERTY, PLANT &amp; EQUIPMENT (continued)</b>				
<b>Computer Hardware &amp; Software Equipment:</b>				
Cost	12,549	10,854	11,057	10,465
Accumulated Depreciation and Impairment	(10,098)	(9,443)	(8,941)	(9,183)
<b>Carrying Value</b>	<b>\$2,451</b>	<b>\$1,411</b>	<b>\$2,116</b>	<b>\$1,282</b>
Opening Carrying Value	1,411	1,679	1,282	1,538
Additions	1,888	773	1,654	718
Disposals	(10)	–	(4)	–
Impairment Losses	–	–	–	–
Intercompany transfer	–	–	(127)	–
Transferred to Intangibles	223	(28)	213	(28)
Depreciation	(1,061)	(1,013)	(902)	(946)
<b>Closing Carrying Value</b>	<b>\$2,451</b>	<b>\$1,411</b>	<b>\$2,116</b>	<b>\$1,282</b>
<b>Meteorological Equipment:</b>				
Cost	8,702	8,149	8,536	8,149
Accumulated Depreciation and Impairment	(6,867)	(6,619)	(6,859)	(6,619)
<b>Carrying Value</b>	<b>\$1,835</b>	<b>\$1,530</b>	<b>\$1,677</b>	<b>\$1,530</b>
Opening Carrying Value	1,530	1,348	1,530	1,348
Additions	553	412	421	414
Disposals	–	–	–	–
Impairment Losses	–	–	–	–
Intercompany transfer	–	–	(30)	–
Depreciation	(248)	(230)	(244)	(232)
<b>Closing Carrying Value</b>	<b>\$1,835</b>	<b>\$1,530</b>	<b>\$1,677</b>	<b>\$1,530</b>
<b>Motor Vehicles:</b>				
Cost	250	242	250	242
Accumulated Depreciation and Impairment	(170)	(155)	(170)	(155)
<b>Carrying Value</b>	<b>\$80</b>	<b>\$87</b>	<b>\$80</b>	<b>\$87</b>
Opening Carrying Value	87	82	87	82
Additions	33	37	33	37
Disposals	(24)	–	–	–
Impairment Losses	–	–	–	–
Depreciation	(16)	(32)	(40)	(32)
<b>Closing Carrying Value</b>	<b>\$80</b>	<b>\$87</b>	<b>\$80</b>	<b>\$87</b>

		Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>Office Equipment:</b>					
Cost		276	243	216	223
Accumulated Depreciation and Impairment		(176)	(174)	(136)	(166)
<b>Carrying Value</b>		<b>\$100</b>	<b>\$69</b>	<b>\$80</b>	<b>\$57</b>
Opening Book Value		69	37	57	30
Additions		57	52	57	43
Disposals		-	-	-	-
Impairment Losses		-	-	-	-
Intercompany transfer	(i)	-	-	(14)	-
Depreciation		(26)	(20)	(20)	(16)
<b>Closing Carrying Value</b>		<b>\$100</b>	<b>\$69</b>	<b>\$80</b>	<b>\$57</b>
<b>Furniture and Fittings:</b>					
Cost		783	753	680	733
Accumulated Depreciation and Impairment		(663)	(615)	(591)	(605)
<b>Carrying Value</b>		<b>\$120</b>	<b>\$138</b>	<b>\$89</b>	<b>\$128</b>
Opening Carrying Value		138	128	128	115
Additions		30	59	19	58
Disposals		-	(1)	-	-
Impairment Losses		-	-	-	-
Intercompany transfer	(i)	-	-	(20)	-
Depreciation		(48)	(48)	(38)	(45)
<b>Closing Carrying Value</b>		<b>\$120</b>	<b>\$138</b>	<b>\$89</b>	<b>\$128</b>
<b>Plant and Equipment:</b>					
Cost		1,466	498	1,446	497
Accumulated Depreciation and Impairment		(391)	(352)	(378)	(352)
<b>Carrying Value</b>		<b>\$1,075</b>	<b>\$146</b>	<b>\$1,068</b>	<b>\$145</b>
Opening Carrying Amount		146	170	145	168
Additions		968	16	968	16
Disposals		-	(1)	-	-
Impairment Losses		-	-	-	-
Intercompany transfer	(i)	-	-	(4)	-
Depreciation		(39)	(39)	(41)	(39)
<b>Closing Carrying Amount</b>		<b>\$1,075</b>	<b>\$146</b>	<b>\$1,068</b>	<b>\$145</b>
<b>Capital Work in Progress:</b>					
Internally Developed Software	24	1,190	829	1,190	829
External Purchased Software and Equipment		2,157	1,679	1,930	1,667
<b>TOTAL CARRYING AMOUNT</b>		<b>\$11,076</b>	<b>\$7,629</b>	<b>\$10,285</b>	<b>\$7,465</b>

(i) On the 1 July 2007, the company division of Business and Consumer Services (BCS) was transferred to Metra Information Limited for reporting purposes only. Assets held in this area were transferred from the Parent to Metra Information Services Limited at net book value. Net profit contributed by this division for the year end 30 June 2007 to the Parent was \$1,954,307.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>20 OTHER FINANCIAL ASSETS</b>				
<b>Current</b>				
<b>Financial Assets Carried at FVTPL</b>				
Forward Foreign Exchange Contracts	\$53	-	\$53	-
<b>Non Current</b>				
<b>Financial Assets Carried at FVTPL</b>				
Forward Foreign Exchange Contracts	7	-	7	-
Call Option – Weather Commerce Limited	106	-	-	-
	<b>\$113</b>	<b>-</b>	<b>\$7</b>	<b>-</b>
<b>21 RETAINED EARNINGS</b>				
Balance at the Beginning of the Year	716	1,703	(314)	472
Net Profit for the year	2,893	2,289	1,673	2,490
Payment of Dividends	-	(3,276)	-	(3,276)
<b>Balance at the End of the Year</b>	<b>\$3,609</b>	<b>\$716</b>	<b>\$1,359</b>	<b>(\$314)</b>
<b>22 DIVIDENDS</b>				
<b>Interim Dividends Paid</b>				
Interim Dividends relating to current year	-	(800)	-	(800)
	-	<b>(800)</b>	-	<b>(800)</b>
<b>Final Dividends Paid</b>				
Final Dividends relating to prior year	-	(826)	-	(826)
	-	<b>(826)</b>	-	<b>(826)</b>
<b>Final Dividends Provided for</b>				
Final Dividends relating to current year	-	(613)	-	(613)
	-	<b>(613)</b>	-	<b>(613)</b>
<b>Special Dividends Provided for</b>				
Special Dividends relating to current year	-	(1,037)	-	(1,037)
	-	<b>(1,037)</b>	-	<b>(1,037)</b>
<b>Total Dividends Provided for</b>	-	<b>(1,650)</b>	-	<b>(1,650)</b>

Payment of an interim dividend for 2008 was waived to support the acquisition of the British-based private forecasting company Weather Commerce Limited.

As at balance date, there has been no provision made for a final dividend. The Group's dividend policy is 60% of net profit after tax.

<b>23 RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Group 2008 \$000s</b>	<b>Group 2007 \$000s</b>	<b>Parent 2008 \$000s</b>	<b>Parent 2007 \$000s</b>
<b>Net Surplus for the Year</b>	<b>2,893</b>	<b>2,289</b>	<b>1,673</b>	<b>2,490</b>
<b>Non Cash Items</b>				
Depreciation and Amortisation of Non Current Assets	3,046	2,944	2,240	2,373
Loss (Gain) on Sale of Fixed Assets	–	(1)	–	1
Donated Fixed Asset	–	(90)	–	(90)
Share of Profits of Associates	7		–	–
Increase/(Decrease) in Current Tax	–		–	–
Increase/(Decrease) in Deferred Tax	196	(318)	689	(286)
<b>Total Non Cash Items</b>	<b>3,249</b>	<b>2,535</b>	<b>2,929</b>	<b>1,998</b>
<b>Movements in Working Capital</b>				
Decrease in Receivables	(1,059)	32	340	253
Increase in Accounts Payable and Accruals	1,140	574	578	321
Decrease in Income Taxation Receivable	(484)	323	(1,545)	558
(Increase) Decrease in Inventories	(202)	(84)	(202)	(84)
<b>Total Movement in Working Capital</b>	<b>(605)</b>	<b>845</b>	<b>(829)</b>	<b>1,048</b>
<b>Net Cash Generated by Operating Activities</b>	<b>\$5,537</b>	<b>\$5,669</b>	<b>\$3,773</b>	<b>\$5,536</b>

## 24 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 plant and equipment held under operating leases.

#### Non-Cancellable Operating Lease Commitments:

Not later than one year	149	140	149	140
Later than one year and not later than five years	307	189	307	189
Later than five years	291	54	291	54
	<b>\$747</b>	<b>\$383</b>	<b>\$747</b>	<b>\$383</b>

## 25 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	<b>Group 2008 \$000s</b>	<b>Group 2007 \$000s</b>	<b>Parent 2008 \$000s</b>	<b>Parent 2007 \$000s</b>
Cash and Bank Balances	127	270	–	77
Bank Overdraft	–	–	(48)	–
	<b>\$127</b>	<b>\$270</b>	<b>(\$48)</b>	<b>\$77</b>

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

The Parent provides support for meteorological services in the Pacific Islands and Africa. In this role, the Parent acts as an intermediary between the 'Funder' and the 'Recipient or Client'.

The role encompasses the provision of project management expertise, sourcing equipment, calibration and testing & site installation.

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

<b>Funds held at balance date</b>	<b>\$942</b>	<b>\$937</b>	<b>\$942</b>	<b>\$937</b>
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# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 26 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 2007.

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 notes 6 and 21 respectively.

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>Categories of Financial Instruments</b>				
<b>Assets</b>				
<i>Loans and receivables</i>				
Cash and Cash Equivalents	127	1,837	(48)	1,644
Trade and Other Receivables	4,831	3,834	3,078	3,093
Amounts owing from Subsidiary	–	–	931	516
Income Tax Receivable	804	320	1,478	–
<i>Financial assets at fair value through profit or loss</i>				
Forward Foreign Exchange Contracts	60	–	60	–
Call Option – Weather Commerce Limited	106	–	–	–
<b>Total Financial Assets</b>	<b>\$5,928</b>	<b>\$5,991</b>	<b>\$5,499</b>	<b>\$5,253</b>
<b>Liabilities</b>				
<i>Financial liabilities at amortised cost</i>				
Trade and Other Payables	4,869	3,605	3,696	2,994
Directors' Fees Payable	30	57	30	57
Employee Entitlements	1,616	1,736	1,616	1,736
Income Tax Payable	–	–	–	67
On-Call Advance	1,000	–	1,000	–
Dividend Accrued	–	1,650	–	1,650
Borrowings	4,800	4,000	4,800	4,000
<b>Total Financial Liabilities</b>	<b>\$12,315</b>	<b>\$11,048</b>	<b>\$11,142</b>	<b>\$10,504</b>

#### 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 carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	2008	2007
	\$000s	\$000s	\$000s	\$000s
<b>Group</b>				
US Dollars	–	–	60	28
British Pounds	75	22	258	290
Euro	–	41	119	144
Australian Dollars	22	–	191	104
<b>Company</b>				
US Dollars	–	–	–	–
British Pounds	–	–	–	–
Euro	–	–	–	–
Australian Dollars	–	–	–	–

### 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, the Group's position would have been:

<b>Group</b>				
US Dollars	–	–	55	25
British Pounds	68	20	235	264
Euro	–	37	108	131
Australian Dollars	20	–	174	95

If exchange rates had been 10% lower and all other variables were held constant, the Group's position would have been:

<b>Group</b>				
US Dollars	–	–	66	23
British Pounds	83	24	284	240
Euro	–	34	131	119
Australian Dollars	24	–	211	86

### Forward Foreign Exchange Contracts

Outstanding Contracts		Group	Parent
Buy/Sell AUD			
Average Exchange Rate	2008	0.812	0.812
	2007	–	–
Foreign Currency (FC '000)	2008	A\$742,736	A\$742,736
	2007	–	–
Contract Value (NZD '000)	2008	\$915,969	\$915,969
	2007	–	–
Fair Value	2008	\$939,295	\$939,295
	2007	–	–
Buy/Sell EUR			
Average Exchange Rate	2008	0.478	0.478
	2007	–	–

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 26 FINANCIAL INSTRUMENTS (continued)

Foreign Currency (FC '000)	2008	€ 1,299,750	€ 1,299,750
	2007	–	–
Contract Value (NZD '000)	2008	\$2,723,871	\$2,723,871
	2007	–	–
Fair Value	2008	\$2,769,142	\$2,769,142
	2007	–	–
	€		

#### Interest Rate Risk Management

The Parent and Group are exposed to interest rate risk as entities in the Group borrow funds at fixed interest rates. The risk is managed by the Group by 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.

#### Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. This analysis is assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 5 basis points higher and all other variables were held constant, the Group's:

- profit for the year ended 30 June 2008 would decrease by \$8,743 (2007: decrease by \$21,868).

If interest rates had been 5 basis points lower and all other variables were held constant, the Group's:

- profit for the year ended 30 June 2008 would increase by \$33,257 (2007: increase by \$18,132).

The sensitivity to interest rates has remained consistent with the the previous year given borrowings have fixed interest rates. Equity is impacted to the same extent as profit.

If interest rates had been 5 basis points higher and all other variables were held constant, the Parent's:

- profit for the year ended 30 June 2008 would decrease by \$8,628 (2007: decrease by \$21,868).

If interest rates had been 5 basis points lower and all other variables were held constant, the Parent's:

- profit for the year ended 30 June 2008 would increase by \$31,372 (2007: increase by \$18,132).

The Company's sensitivity to interest rates has remained consistent with the previous year given borrowings have fixed interest rates.

#### 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, however it is not regarded as a significant concentration of credit risk.

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. Included in note 12 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

#### Liquidity and Interest Risk Tables

The following tables detail the Parent and Group's remaining contractual maturity for its non-derivative 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 cash flows.

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
<b>Fixed Interest Rate Instruments</b>				
Weighted Average Effective Interest Rate	8.58%	7.48%	8.58%	7.48%

All loans are interest only and are due to mature on 30 June 2011.

Current fixed interest expiry dates are as follows:

30 September 2008	800
30 June 2008	1,000
29 December 2008	1,000
29 June 2009	1,000
21 December 2009	1,000
	<u>4,800</u>

The Group has access to financing facilities, the total unused amount of which is nil at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain the current debt to equity ratio, within the Group's covenant requirement of greater than 30%.

#### Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance

with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

#### Quoted prices

Financial assets in this category include listed redeemable notes, bills of exchange and debentures. Financial liabilities include bills of exchange and perpetual notes.

#### Derivatives

Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

#### 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.

## 27 CAPITAL COMMITMENTS

	Group 2008 \$000s	Group 2007 \$000s	Parent 2008 \$000s	Parent 2007 \$000s
Commitments for the acquisition of property, plant and equipment	902	645	902	645

## 28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS")

The Company's and Group's financial statements for the year ended 30 June 2008 are the first annual financial statements that comply with NZ IFRs and NZ IFRS 1 has been applied in their preparation.

The Company's transition date is 1 July 2006. The Company and Group prepared their opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2008. The Company's NZ IFRS adoption date is 1 July 2007.

Financial statements of the Company and Group until 30 June 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards ("NZ FRS"). NZ FRS differs in certain respects from NZ IFRS.

When preparing the Company and Group's financial statements for the year ended 30 June 2008, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS. The comparative figures were restated to reflect these adjustments.

In preparing these financial statements in accordance with NZ IFRS 1, the Company and Group have applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS. The following optional exemption from full retrospective application has been applied.

#### Business Combinations

The Company has applied the business combinations exemption in NZ IFRS 1 and has not restated business combinations that took place prior to the 1 July 2006 transition date.

The following mandatory exception from full retrospective application has been applied.

#### Estimates exception

Estimates under NZ IFRS at 30 June 2006 are required to be consistent with estimates made for the same date under previous estimates. No adjustments to previous estimates have been made by the Directors.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company's and Group's equity and net income are provided below.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS") (continued)	Parent		
	1 July 2006 NZ GAAP \$000s	Effect of transition to NZ IFRS \$000s	1 July 2006 NZ IFRS \$000s
Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company's and Group's equity and net income are provided below.			
<b>Equity</b>			
Capital	5,000	–	5,000
Retained Earnings	a 618	(146)	472
<b>Total Equity</b>	<b>5,618</b>	<b>(146)</b>	<b>5,472</b>
<b>Liabilities</b>			
Accounts Payable and Accruals	b 4,510	(1,257)	3,253
Employee Benefits	c –	1,527	1,527
Directors' Fees Payable	57	–	57
Provisions	e 436	88	524
<b>Total Current Liabilities</b>	<b>5,003</b>	<b>358</b>	<b>5,361</b>
Loan	4,000	–	4,000
<b>Total Non Current Liabilities</b>	<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Total Liabilities and Equity</b>	<b>14,621</b>	<b>212</b>	<b>14,833</b>
<b>Assets</b>			
Cash on Hand at Bank	120	–	120
Accounts Receivable – Trade	2,785	–	2,785
Accounts Receivable – Other	547	–	547
Amounts Owing from Subsidiary	527	–	527
Deposits	1,955	–	1,955
Inventories	373	–	373
Income Taxation Receivable	492	–	492
<b>Total Current Assets</b>	<b>6,799</b>	<b>–</b>	<b>6,799</b>
Deferred Taxation	f 683	212	895
Fixed Assets	d 7,139	(1,209)	5,930
Intangible Assets	g –	1,209	1,209
<b>Total Non Current Assets</b>	<b>7,822</b>	<b>212</b>	<b>8,034</b>
<b>Total Assets</b>	<b>14,621</b>	<b>212</b>	<b>14,833</b>
<b>(a) Retained Earnings</b>			
Retained Earnings as at 30 June 2006 under NZ GAAP	618	–	618
Restoration Provision	–	(357)	(357)
Future Income Tax Benefit	–	625	625
Deferred Tax Liability	–	(414)	(414)
Retained Earnings as at 1 July 2006 under NZ IFRS	618	(146)	472

	1 July 2006 NZ GAAP \$000s	Effect of transition to NZ IFRS \$000s	1 July 2006 NZ IFRS \$000s
<b>(b) Accounts Payable and Accruals</b>			
Sundry Creditors & Accruals	1,675	(42)	1,633
Accounts Payable, incl PAYE & GST	1,313	–	1,313
Employee Entitlements	1,215	(1,215)	–
Income in Advance	307	–	307
	4,510	(1,257)	3,253

**NZ IFRS:** The profit share provision (\$55k) and the annual leave liability (\$1,202k) was reclassified to Employee Benefits and the accrued ACC levies (\$13k) was reclassified from Employee Benefits to Accruals.

**(c) Employee Benefits**

Accrued Leave	–	1,202	1,202
Termination Leave	–	270	270
Profit Share	–	55	55
	–	1,527	1,527

**NZ IFRS:** Termination leave was disclosed as a provision and has now been reclassified separately as an employee benefit. The profit share provision has also been reclassified from Sundry Creditors.

**(d) Fixed Assets**

Work in Progress	1,057	–	1,057
Building – cost	470	–	470
Building – accumulated depn	(129)	–	(129)
Building on Leasehold Land – cost	1,566	–	1,566
Building on Leasehold Land – accumulated depn	(567)	–	(567)
EDP – cost	15,604	(5,165)	10,439
EDP – accumulated depn	(12,857)	3,956	(8,901)
Furniture & Fittings – cost	706	–	706
Furniture & Fittings – accumulated depn	(591)	–	(591)
Land – cost	118	–	118
Land Other – cost	447	–	447
Land Other – accumulated depn	(313)	–	(313)
Meteorological Equipmt – cost	7,735	–	7,735
Meteorological Equipmt – accum depn	(6,387)	–	(6,387)
Motor Vehicles – cost	204	–	204
Motor Vehicles – accum depn	(122)	–	(122)
Office Equipmt – cost	197	–	197
Office Equipmt – accumulated depn	(167)	–	(167)
Plant & Equipment – cost	537	–	537
Plant & Equipment – accumulated depn	(369)	–	(369)
	7,139	(1,209)	5,930

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS") (continued)

	1 July 2006	Effect of transition to	1 July 2006
	NZ GAAP	NZ IFRS	NZ IFRS
	\$000s	\$000s	\$000s
<b>(e) Provisions</b>			
Campbell Island Provision	166	–	166
Termination Leave	270	(270)	–
Restoration Provision	–	358	358
	436	88	524

**NZ IFRS:** Termination leave has been reclassified as Employee Benefits and a restoration provision has been calculated for lease sites that contractually require restoration of some kind on cessation of the lease agreement.

### (f) Taxation

Future Tax Benefit	683	626	1,309
Deferred Tax Liability	–	(414)	(414)
	683	212	895

**NZ IFRS:** Deferred tax has been recalculated in line with NZ IAS12 Income Taxes.

### (g) Intangible Assets

Intangible Assets – cost	–	5,165	5,165
Intangible Assets – accumulated depn	–	(3,956)	(3,956)
	–	1,209	1,209

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

		Group	
	1 July 2006	Effect of transition to	1 July 2006
	NZ GAAP	NZ IFRS	NZ IFRS
	\$000s	\$000s	\$000s
<b>Equity</b>			
Capital	5,000	–	5,000
Retained Earnings	a 1,943	(240)	1,703
<b>Total Equity</b>	<b>6,943</b>	<b>(240)</b>	<b>6,703</b>
<b>Liabilities</b>			
Accounts Payable and Accruals	b 4,869	(1,257)	3,612
Employee Benefits	c –	1,527	1,527
Directors' Fees Payable	57		57
Provisions	d 436	88	524
<b>Total Current Liabilities</b>	<b>5,362</b>	<b>358</b>	<b>5,720</b>
Loan	4,000	–	4,000
<b>Total Non Current Liabilities</b>	<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Total Liabilities and Equity</b>	<b>16,305</b>	<b>118</b>	<b>16,423</b>

	1 July 2006	Effect of transition to	1 July 2006
	NZ GAAP	NZ IFRS	NZ IFRS
	\$000s	\$000s	\$000s
<b>Assets</b>			
Cash on Hand at Bank	614	–	614
Accounts Receivable – Trade	3,218	–	3,218
Accounts Receivable – Other	647	–	647
Deposits	1,955	–	1,955
Inventories	373	–	373
Income Taxation Receivable	643	–	643
<b>Total Current Assets</b>	<b>7,450</b>	<b>–</b>	<b>7,450</b>
Deferred Taxation	e 695	118	813
Fixed Assets	f 8,160	(2,045)	6,115
Intangible Assets	g –	2,045	2,045
<b>Total Non Current Assets</b>	<b>8,855</b>	<b>118</b>	<b>8,973</b>
<b>Total Assets</b>	<b>16,305</b>	<b>118</b>	<b>16,423</b>

#### NOTES TO THE RECONCILIATION

##### (a) Retained Earnings

Retained Earnings as at 30 June 2006 under NZ GAAP	1,943	–	1,943
Restoration Provision	–	(358)	(358)
Future Income Tax Benefit	–	809	809
Deferred Tax Liability	–	(691)	(691)
Retained Earnings as at 1 July 2006 under NZ IFRS	1,943	(240)	1,703

##### (b) Accounts Payable and Accruals

Sundry Creditors & Accruals	1,847	(42)	1,805
Accounts Payable, incl PAYE & GST	1,299	–	1,299
Employee Entitlements	1,215	(1,215)	–
Income in Advance	508	–	508
	4,869	(1,257)	3,612

**NZ IFRS:** The profit share provision (\$55k) and the annual leave liability (\$1,202k) was reclassified to Employee Benefits and the accrued ACC levies (\$13k) was reclassified from Employee Benefits to Accruals.

##### (c) Employee Benefits

Accrued Leave	–	1,202	1,202
Termination Leave	–	270	270
Profit Share	–	55	55
	–	1,527	1,527

**NZ IFRS:** Termination leave was disclosed as a provision and has now been reclassified separately as an employee benefit. The profit share provision has also been reclassified from Sundry Creditors.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

	Group		
	1 July 2006	Effect of transition to	1 July 2006
<b>28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS") (continued)</b>	<b>NZ GAAP</b>	<b>NZ IFRS</b>	<b>NZ IFRS</b>
	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
<b>(d) Provisions</b>			
Campbell Island Provision	166	–	166
Termination Leave	270	(270)	–
Restoration Provision	–	358	358
	436	88	524

**NZ IFRS:** Termination leave has been reclassified as Employee Benefits and a restoration provision has been calculated for lease sites that contractually require restoration of some kind on cessation of the lease agreement.

### (e) Taxation

Future Tax Benefit	695	809	1,504
Deferred Tax Liability	–	(691)	(691)
	695	118	813

**NZ IFRS:** Deferred tax has been recalculated in line with NZ IAS 12 Income Taxes.

### (f) Fixed Assets

Work in Progress	1,083	–	1,083
Building – cost	470	–	470
Building – accumulated depn	(129)	–	(129)
Building on Leasehold Land – cost	1,566	–	1,566
Building on Leasehold Land – accumulated depn	(567)	–	(567)
EDP – cost	17,596	(6,816)	10,780
EDP – accumulated depn	(13,873)	4,771	(9,102)
Furniture & Fittings – cost	722	–	722
Furniture & Fittings – accumulated depn	(597)	–	(597)
Land – cost	118	–	118
Land Other – cost	447	–	447
Land Other – accumulated depn	(313)	–	(313)
Meteorological Equipmt – cost	7,735	–	7,735
Meteorological Equipmt – accum depn	(6,387)	–	(6,387)
Motor Vehicles – cost	204	–	204
Motor Vehicles – accum depn	(122)	–	(122)
Office Equipmt – cost	209	–	209
Office Equipmt – accumulated depn	(172)	–	(172)
Plant & Equipment – cost	539	–	539
Plant & Equipment – accumulated depn	(369)	–	(369)
	8,160	(2,045)	6,115

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

### (g) Intangible Assets

Intangible Assets – cost	–	6,816	6,816
Intangible Assets – accumulated depn	–	(4,771)	(4,771)
	–	2,045	2,045

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

		<b>Parent</b>	<b>Parent</b>	<b>Parent</b>
		<b>2007</b>	<b>Effect of</b>	<b>2007</b>
		<b>NZ FRS</b>	<b>transition to</b>	<b>NZ IFRS</b>
		<b>\$000s</b>	<b>NZ IFRS</b>	<b>\$000s</b>
<b>Equity</b>				
Capital		5,000	–	5,000
Retained Earnings	a	(51)	(263)	(314)
<b>Total Equity</b>		<b>4,949</b>	<b>(263)</b>	<b>4,686</b>
<b>Liabilities</b>				
Accounts Payable and Accruals	b	4,471	(1,477)	2,994
Employee Benefits	c	–	1,736	1,736
Directors' Fees Payable		57	–	57
Income Taxation Payable		67	–	67
Provisions	d	429	108	537
Provision for Dividend		1,650	–	1,650
<b>Total Current Liabilities</b>		<b>6,674</b>	<b>367</b>	<b>7,041</b>
Loan		4,000	–	4,000
<b>Total Non Current Liabilities</b>		<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Total Liabilities and Equity</b>		<b>15,623</b>	<b>104</b>	<b>15,727</b>
<b>Assets</b>				
Cash on Hand at Bank		77	–	77
Trade and Other Receivables		3,093	–	3,093
Amounts Owing from Subsidiary		516	–	516
Deposits		1,567	–	1,567
Inventories		457	–	457
<b>Total Current Assets</b>		<b>5,710</b>	<b>–</b>	<b>5,710</b>
Deferred Taxation	e	599	104	703
Fixed Assets	f	9,314	(1,849)	7,465
Intangible Assets	g	–	1,849	1,849
<b>Total Non Current Assets</b>		<b>9,913</b>	<b>104</b>	<b>10,017</b>
<b>Total Assets</b>		<b>15,623</b>	<b>104</b>	<b>15,727</b>

## NOTES TO THE RECONCILIATION

### (a) Retained Earnings

Retained Earnings as at June 2007 under NZ FRS	(51)	–	(51)
Restoration Provision	–	(367)	(367)
Future Income Tax Benefit	–	156	156
Deferred Tax Liability	–	(52)	(52)
Retained Earnings as at June 2007 under NZ IFRS	(51)	(263)	(314)

The impact on the Net Profit after Tax was a decrease of \$117k.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS") (continued)	Parent 2007	Effect of transition to	Parent 2007
	NZ FRS	NZ IFRS	NZ IFRS
	\$000s	\$000s	\$000s
<b>(b) Accounts Payable and Accruals</b>			
Sundry Creditors & Accruals	1,814	(168)	1,646
Accounts Payable, incl PAYE & GST	824	–	824
Employee Entitlements	1,309	(1,309)	–
Income in Advance	524	–	524
	<u>4,471</u>	<u>(1,477)</u>	<u>2,994</u>

**NZ IFRS:** The profit share provision (\$251k) was reclassified to Employee Benefits and the accrued ACC levies (\$83k) was reclassified from Employee Benefits to Accruals.

### (c) Employee Benefits

Accrued Leave	–	1,226	1,226
Termination Leave	–	259	259
Profit Share	–	251	251
	<u>–</u>	<u>1,736</u>	<u>1,736</u>

**NZ IFRS:** Termination leave was disclosed as a provision and has now been reclassified separately as an employee benefit. The profit share provision is now disclosed as an employee benefit and the ACC levy accrual is included in Sundry Accruals.

### (d) Provisions

Campbell Island Provision	170	–	170
Termination Leave	259	(259)	–
Restoration Provision	–	367	367
	<u>429</u>	<u>108</u>	<u>537</u>

**NZ IFRS:** Termination leave has been reclassified as Employee Benefits and a restoration provision has been calculated for lease sites that contractually require restoration of some kind on cessation of the lease agreement.

### (e) Deferred Taxation

Future Income Tax Benefit	599	156	755
Deferred Tax Liability	–	(52)	(52)
	<u>599</u>	<u>104</u>	<u>703</u>

**NZ IFRS:** Deferred tax has been recalculated in line with NZ IAS 12 Income Taxes.

	Parent 2007 NZ FRS \$000s	Effect of transition to NZ IFRS \$000s	Parent 2007 NZ IFRS \$000s
<b>(f) Fixed Assets</b>			
Work in Progress	2,496	–	2,496
Building – cost	670	–	670
Building – accumulated depn	(142)	–	(142)
Building on Leasehold Land – cost	1,588	–	1,588
Building on Leasehold Land – accumulated depn	(607)	–	(607)
EDP – cost	17,260	(6,795)	10,465
EDP – accumulated depn	(14,129)	4,946	(9,183)
Furniture & Fittings – cost	733	–	733
Furniture & Fittings – accumulated depn	(605)	–	(605)
Land – cost	118	–	118
Land Other – cost	447	–	447
Land Other – accumulated depn	(334)	–	(334)
Meteorological Equipmt – cost	8,149	–	8,149
Meteorological Equipmt – accum depn	(6,619)	–	(6,619)
Motor Vehicles – cost	242	–	242
Motor Vehicles – accum depn	(155)	–	(155)
Office Equipmt – cost	223	–	223
Office Equipmt – accumulated depn	(166)	–	(166)
Plant & Equipment – cost	497	–	497
Plant & Equipment – accumulated depn	(352)	–	(352)
	9,314	(1,849)	7,465

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

**(g) Intangible Assets**

Intangible Assets – cost	–	6,795	6,795
Intangible Assets – accumulated depn	–	(4,946)	(4,946)
	–	1,849	1,849

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

<b>28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS") (continued)</b>		<b>Group 2007 NZ FRS \$000s</b>	<b>Group Effect of transition to NZ IFRS \$000s</b>	<b>Group 2007 NZ IFRS \$000s</b>
<b>Equity</b>				
Capital		5,000	–	5,000
Retained Earnings	a	1,023	(307)	716
<b>Total Equity</b>		<b>6,023</b>	<b>(307)</b>	<b>5,716</b>
<b>Liabilities</b>				
Accounts Payable and Accruals	b	5,081	(1,476)	3,605
Employee Benefits	c	–	1,736	1,736
Directors' Fees Payable		57		57
Provisions	d	429	108	537
Provision for Dividend		1,650		1,650
Total Current Liabilities		7,217	368	7,585
Loan		4,000	–	4,000
<b>Total Non Current Liabilities</b>		<b>4,000</b>	<b>–</b>	<b>4,000</b>
<b>Total Liabilities and Equity</b>		<b>17,240</b>	<b>61</b>	<b>17,301</b>
<b>Assets</b>				
Cash on Hand at Bank		270	–	270
Trade and Other Receivables		3,834	–	3,834
Deposits		1,567	–	1,567
Inventories		457	–	457
Income Taxation Receivable		320	–	320
<b>Total Current Assets</b>		<b>6,448</b>	<b>–</b>	<b>6,448</b>
Deferred Taxation	e	596	61	657
Fixed Assets	f	10,196	(2,567)	7,629
Intangible Assets	g	–	2,567	2,567
<b>Total Non Current Assets</b>		<b>10,792</b>	<b>61</b>	<b>10,853</b>
<b>Total Assets</b>		<b>17,240</b>	<b>61</b>	<b>17,301</b>

## NOTES TO THE RECONCILIATION

	Group 2007 NZ FRS \$000s	Effect of transition to NZ IFRS \$000s	Group 2007 NZ IFRS \$000s
<b>(a) Retained Earnings</b>			
Retained Earnings as at June 2007 under NZ FRS	1,023	–	1,023
Restoration Provision	–	(367)	(367)
Future Income Tax Benefit	–	159	159
Deferred Tax Liability	–	(99)	(99)
Retained Earnings as at June 2007 under NZ IFRS	1,023	(307)	716

The impact on the Net Profit after Tax was a decrease of \$67k.

**(b) Accounts Payable and Accruals**

Sundry Creditors & Accruals	2,039	(167)	1,872
Accounts Payable, incl PAYE & GST	788	–	788
Employee Entitlements	1,309	(1,309)	–
Income in Advance	945	–	945
	5,081	(1,476)	3,605

**NZ IFRS:** The profit share provision (\$251k) was reclassified to Employee Benefits and the accrued ACC levies (\$83k) was reclassified from Employee Benefits to Accruals.

**(c) Employee Benefits**

Accrued Leave	–	1,227	1,227
Termination Leave	–	259	259
Profit Share	–	250	250
	–	1,736	1,736

**NZ IFRS:** Termination leave was disclosed as a provision and has now been reclassified separately as an employee benefit. The profit share provision is now disclosed as an employee benefit and the ACC levy accrual is included in Sundry Accruals.

**(d) Provisions**

Campbell Island Provision	170	–	170
Termination Leave	259	(259)	–
Restoration Provision	–	367	367
	429	108	537

**NZ IFRS:** Termination leave has been reclassified as Employee Benefits and a restoration provision has been calculated for lease sites that contractually require restoration of some kind on cessation of the lease agreement.

**(e) Deferred Taxation**

Future Income Tax Benefit	596	160	756
Deferred Tax Liability	–	(99)	(99)
	596	61	657

**NZ IFRS:** Deferred tax has been recalculated in line with NZ IAS 12 Income Taxes.

# Meteorological Service of New Zealand Ltd

## Notes to the Financial Statements

### 28 APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS") (continued)

	Group 2007 NZ FRS \$000s	Effect of transition to NZ IFRS \$000s	Group 2007 NZ IFRS \$000s
<b>(f) Fixed Assets</b>			
Work in Progress	2,507	–	2,507
Building – cost	670	–	670
Building – accumulated depn	(142)	–	(142)
Building on Leasehold Land – cost	1,588	–	1,588
Building on Leasehold Land – accumulated depn	(607)	–	(607)
EDP – cost	19,683	(8,830)	10,853
EDP – accumulated depn	(15,705)	6,263	(9,442)
Furniture & Fittings – cost	754	–	754
Furniture & Fittings – accumulated depn	(615)	–	(615)
Land – cost	118	–	118
Land Other – cost	447	–	447
Land Other – accumulated depn	(334)	–	(334)
Meteorological Equipmt – cost	8,149	–	8,149
Meteorological Equipmt – accum depn	(6,619)	–	(6,619)
Motor Vehicles – cost	242	–	242
Motor Vehicles – accum depn	(155)	–	(155)
Office Equipmt – cost	243	–	243
Office Equipmt – accumulated depn	(174)	–	(174)
Plant & Equipment – cost	499	–	499
Plant & Equipment – accumulated depn	(353)	–	(353)
	10,196	(2,567)	7,629

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

### **(g) Intangible Assets**

Intangible Assets – cost	–	8,830	8,830
Intangible Assets – accumulated depn	–	(6,263)	(6,263)
	–	2,567	2,567

**NZ IFRS:** All software which is not integral to hardware has been reclassified as intangible assets.

# Auditors' Report to the readers of Meteorological Service of New Zealand Ltd and Group's Financial Statements for the year ended 30 June 2008

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited (the Company) and the Group comprising the Company and its subsidiaries. The Auditor-General has appointed me, Karen Shires, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group, on his behalf, for the year ended 30 June 2008.

## Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group on pages 22 to 60:
- comply with generally accepted accounting practice in New Zealand; and
- 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 2008; and
- the results of operations and cash flows for the year ended on that date.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 22 August 2008, and 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 the Auditor, and explain our independence.

## Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

## Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2008. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date.

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

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This 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 Institute of Chartered Accountants of New Zealand.

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



**Karen Shires**  
On behalf of the Auditor-General  
Wellington, New Zealand



**PricewaterhouseCoopers**

# Meteorological Service of New Zealand Ltd

## Key Performance Indicators

	STATEMENT OF CORPORATE INTENT TARGET	ACTUAL 2008	ACTUAL 2007
Net Surplus attributable to Shareholders	\$2,986,000	\$2,893,000	\$2,288,000
Net Surplus attributable to Shareholders: Average S/H Funds	45.3%	45.3%	32.0%
EBIT: Total Tangible Assets	27.0%	22.6%	22.1%
Current Ratio	0.89:1	0.82:1	0.88:1
Equity Ratio	40.1%	40.1%	33.0%
Net Surplus attributable to Shareholders: Total Sales	8.3%	8.3%	7.4%
Accounting Value of Crown's Investment	\$7,194,000	\$8,609,026	\$5,716,026
<b>Probability of Detection (POD)</b>	<b>Minimum</b>		
Heavy Rain	75%	95%	89%
Heavy Snow	75%	87%	95%
Severe Gales	75%	94%	90%
<b>False Alarm Ratio (FAR)</b>	<b>Maximum</b>		
Heavy Rain	40%	27%	23%
Heavy Snow	40%	29%	21%
Severe Gales	40%	20%	18%

### Quality Certification

We retained full ISO 9001: 2000 re-certification and are happy to record that the quality system auditors found us fully compliant. We also retained our Civil Aviation Rule Part 174 certification again receiving re-certification with a high standard against the measurement criteria.

**POD:** Probability of Detection measures the proportion of forecast events against actual events.

**FAR:** False Alarm Ratio measures the proportion of forecasts where the actual event did not reach the warning criteria.

### Warning Criteria

MetService is required to issue warnings of widespread hazardous weather, which may cause conditions that could threaten life or property on land. Warnings are issued to a variety of organisations and the media, in the form of Severe Weather Warnings.

Warnings of heavy rain are issued when:

- rain is expected to exceed 50mm in six hours; or
- rain is expected to exceed 100mm in 24 hours

Warnings of heavy snow are issued when:

- snow is expected to affect areas below 1000m in the North Island; and
- snow is expected to affect areas below 500m in the South Island; and
- snow is expected to exceed 10cm in six hours, or 25cm in 24 hours

Warnings of severe gales are issued when;

- sustained winds are expected to exceed 47kt or gusts exceed 60kt, over land

**METEOROLOGICAL SERVICE  
OF NEW ZEALAND LIMITED  
COMPANY DIRECTORY**

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Sarah Astor (Deputy Chair)  
David Houldsworth  
Gregory Whitau  
Polly Schaverien  
Joanne Keestra

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**On Behalf of Office of the**

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