


 **METSERVICE**

 **METRA**

Annual Report 1998-1999

Auckland 1700

mission:

by providing innovation and value, continue to grow a commercially successful business delivering worldwide weather and information presentation services

vision:

- a recognised leader in weather and information presentation services
- profitable and well managed with enthusiastic and highly skilled staff dedicated to the success of their company
- growing worldwide through customer appreciation of our valuable and innovative services

START

key achievements

Channel NINE

Metra began supplying animated 3D weather presentations for evening news programmes in Melbourne, Sydney and Brisbane.

Stockmarket listings

Metra introduced Stockmarket listings to a further seven newspapers during the year.

AMDAR

Weather data download from aircraft increased with the inclusion of some of Air New Zealand's fleet in the programme.

MetDirect

MetService developed a successful new web-based weather display system.

BACCHUS

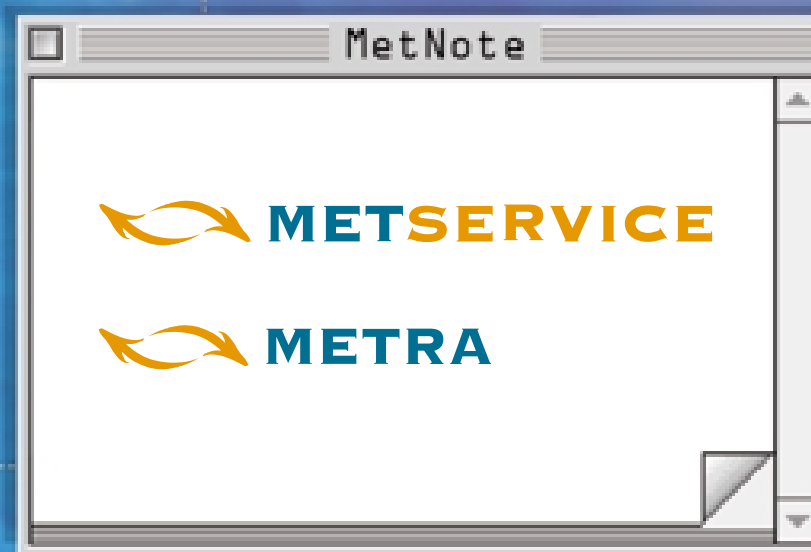
Emergency backup protection was further enhanced in conjunction with the Ministry of Civil Defence.

Performance

Weather performance targets continue to be exceeded, bar snow, for which very few events occurred.

Further WINZ

By year's end MetService had installed four WINZ systems in China in either trial or operational mode.



chairman's report

On behalf of the Board of Directors I am pleased to report another successful year for MetService. Net profit after tax amounted to \$3.2 million, which represents an after tax return on shareholders' funds of 61.5%, a substantial improvement on last year's return of 37.5%.

A key factor in achieving this return was the capital restructuring at the end of last financial year, which returned a substantial part of shareholders' funds to the shareholders in the form of a \$5.0 million special dividend. Although the capital restructuring improved the return on shareholders' funds, it has had the effect of reducing overall pre-tax surplus by \$0.4 million, as MetService moves from being a net receiver of interest to a net payer.

Revenues from public sector customers were significantly down compared with previous years, due to renegotiation of charges and re-specification of services. However gains were made in sales to the private sector, domestically and overseas.

This, along with management's vigilant control of costs, which reduced operating costs by \$0.4 million, has limited the bottom-line impact of the decline in sales.

The net profit after tax is therefore \$3.2 million compared with last year's result of \$3.6 million, with most of the decline attributable to the capital restructuring.

Reorganisation to support business growth strategy

In October 1998, following a review of business growth strategies, the responsibilities of the senior management team were rearranged. A separate general manager was assigned to Information Presentation Services giving more focus to this high potential area. This allowed increased resource to be applied to the growth of the Aviation Services market.

The success of this strategy is already evident in the signing of a new contract with an Asian television company for weather presentation software and services. Further Chinese airlines are now trialing our forecasting services for aviation, and a significant opportunity has been identified for meteorological training in the aviation industry in China.



Upward trend in forecast accuracy maintained

The statistical trend for the accuracy of our forecasts, particularly for severe weather events, continues to improve overall. One exception is heavy snow where a small number of events, coupled with a number of false alarms, have brought the false alarm ratio for predictions up to 42% (averaged over the last two years) which is slightly over our target maximum of 40%.

Scoping for privatisation

In May 1999, the Government announced plans to review its ownership options for MetService. External consultants undertook a scoping study, which was positive in its appraisal of the business and the way it is being operated. Following the conclusion of this study the Government determined that there were no public policy reasons for not privatising. However a decision about proceeding with a sale was deferred until next year.

Ready for the year 2000

We are happy to report that, with one exception, our mission-critical systems are now all certified as Y2K compliant and all are scheduled to be compliant by year's end.

Management and staff contribution

Once again, the Board thanks John Lumsden our Chief Executive, and his management team and staff for their highly enthusiastic contribution to this year's successful result.

We are also pleased to specially thank those staff who have been recognised this year with Chairman's Awards. These people were rewarded for their outstanding contributions, putting the Company's aims first, to support MetService's business mission and service to customers.

Thank you all very much.

John M Crook
CHAIRMAN



Business situation

Increasing competition, and pressure on prices, especially from our public sector customers, have continued to take their toll on revenues this year. Our growth strategies, which focused on Asia, have been somewhat affected by the downturn in those key economies. However we are now seeing some evidence of recovery and this is borne out in new contracts and further opportunities we have recently identified within the region.

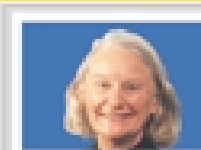
It is a matter of regret that the regulatory environment in Australia continues to inhibit our entry into this important market for aviation forecasts, even though we have identified significant potential, and customers who are keen to take our services if the market was reformed.

MetNote

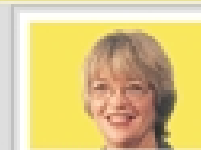
Changes in board membership

During this year, we farewelled Brian Shackel from our board on completion of his scheduled term and welcomed three new directors appointed by the shareholders. We thank Brian for the contribution he has made to the Company's direction, and report that we are already enjoying positive contributions from Kate Hazlett, Rob Tait, and Geoff Thompson.

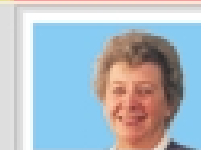
board.of.directors



<joy.leslie>



<kate.hazlett>



<margaret.moir>



<rob.tait>



<geoff.thompson>



WMO continued ...

One of the major concerns of the Organization in recent years has been the preservation of the practice of free and unrestricted data exchange in the face of commercial service delivery in some countries. It is pleasing to note that the agreement concerning data exchange (resolution 40), unanimously agreed at the 12th Congress in 1995, is viewed as being successful, and that the Vision for WMO includes reference to the need for governments to provide for core meteorological services, either through departments, or by contracting out, as is the case in New Zealand.

During the year our Chief Meteorologist, Dr Neil Gordon, was elected President of the WMO Commission for Aeronautical Meteorology. This is a well justified recognition of Dr Gordon's standing in the international meteorological community, as well as an opportunity to ensure that the application of meteorology for the

aviation industry continues to be efficient and relevant. Lead Forecaster Steve Ready was re-elected as Chairman of the operationally vital Tropical Cyclone Committee of the South West Pacific Regional Association.

Support has also been given to several Pacific Island nations with the sponsorship of the South Pacific Regional Environment Programme and NZ Overseas Development Aid, in readying their operations for any Y2K problems.

John R Lumsden
CHIEF EXECUTIVE

Outlook

MetService has developed competency in the reliable delivery of valuable products and services, and has found that it can successfully penetrate new markets. While facing competition domestically and internationally we expect to continue our growth in sales to the private sector. We will, by providing innovation and value, continue to grow a successful business delivering worldwide weather and information presentation services.

ENTER

notable performances



The Henry Hill Award recognises the person best demonstrating enthusiasm and dedication to weather and forecasting in the spirit of the late Henry Hill, a renowned meteorologist of the New Zealand Meteorological Service.

Chairman's Awards recognise individual employees or teams achieving results well beyond normal job requirements. The criteria are that the work must be clearly outstanding, over and above the normal work expectations, relevant to the business of MetService, and support corporate objectives.

Recipients this year were:

Chairman's awards

Bruce Hartley For ensuring that the MetATIS development was completed in time and to the standard expected by our first two customers for the product.

Nesha Andrejic For initiative and innovation in reducing WINZ communications costs.

Jeremy Lumley For committed, thorough, and effective project management of the Paraparaumu accommodation consolidation.

Stephen Harris For exemplary effort in preparing and conducting meteorological courses for ECNZ operations staff.

Clinton Ward For dedication and diligence in ensuring that the inaugural Evening Post weekly TV Guide was delivered on time, and to customer expectations.

Peter Grant, Paul Hatfield, Terry Smith, Louise Simpson For outstanding dedication and attention to detail in the production of weather graphics for the South China Morning Post, MetService's first media customer in Asia.

Gabi Thompson, Tony Simmers, Liz McLaughlin For sustained, high quality, and innovative effort in the training of operational staff during 1998.

James Guthrie For creating innovative and attractive graphics for the Fieldays displays.

MetNote

Henry Hill Award

The award was presented to Dr Neil Gordon this year for his enthusiasm for and dedication to weather forecasting.

Weather overview – El Niño turns into La Niña

The El Niño which gave warm temperatures and drought conditions in eastern areas of the country in 1997, gave way in 1998 to the strongest La Niña in the Pacific for twenty years.

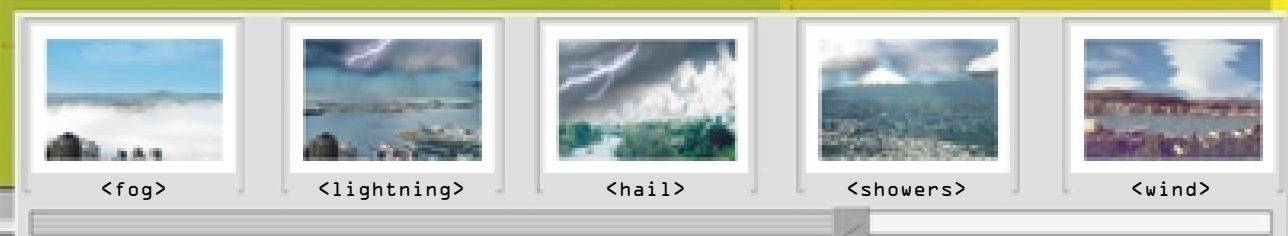
The winter and autumn of 1998 were mild with most rain falling in the usual western parts of the country. By late December, La Niña was in full swing. This pushed high pressure systems further south allowing warm northeast winds to blow over the north of the North Island.

In January, the previous summer's drought in Hawkes Bay broke, but, following timely warnings of heavy rain from MetService, flash flooding in Northland and Pukekohe on the 21st

devastated these areas. Later in the month, a number of tropical cyclones moved harmlessly north of the North Island.

As the summer wore on, the worst agricultural drought in decades intensified over Otago and Southland, persisting until March. The whole country was hot and dry with many records broken. Rains came for the south in late March, with further falls breaking the drought in many areas.

The warmer seas around the country – another La Niña effect – helped keep temperatures milder this past autumn, with May registering the highest temperatures up and down the country since 1853.





chief executive's report

ENTER

Over the last year MetService has expanded its weather and information presentation services domestically and internationally, and continued to supply its public sector clients professionally and efficiently. Revenue from new aviation and media customers, and consultancy, together with prudent cost management, have offset to a large extent reductions in earnings from the Royal New Zealand Air Force and the Minister of Transport.

Emphasis on new business development was increased through a reassignment of senior management roles. Responsibility for the Information Presentation Services and Aviation Services divisions was assigned to separate general managers: David Knott is now General Manager of IPS, and Keith Mackersy General Manager of Aviation Services. Neil Gordon took on the role of Chief Meteorologist, in addition to being General Manager of National Weather Services. Marco Overdale has become Company Secretary as well as being Development Manager, and Adrienne Riggs adds Corporate Services and Risk Management to her Human Resources responsibilities.

Metra

Both Information Presentation and Aviation Services use the Metra brand where appropriate. It is used for international non-government customers, and domestic non-weather products.

Information Presentation Services

Warmer temperatures over the last winter were accompanied by a reduction in snowfall. In the summer, despite an increased number of tropical cyclones forming to the north of the country due to La Niña conditions, New Zealand was spared from direct impact.

Settled conditions like these have a negative effect on earnings, particularly for MetPhone. Nonetheless, revenues from MetFax and the Internet continued to increase, and overall this group of consumer products performed satisfactorily.

During the year, Metra, in conjunction with Television New Zealand Limited, installed Weatherscape, an animated 3D weather presentation, for Australia's Nine Network at

its broadcast centres in Melbourne, Sydney, and Brisbane. Initially specified for evening weather broadcasts, it has now been expanded to be included in their Today Show. The daily weather information displayed by Weatherscape is assembled and delivered by Metra. The customer was attracted by our willingness and ability to customise the product, and incorporate local weather features and terminology.



Technology

This year saw the completion of a software system which displays multiple layers of information, and allows forecasters to produce weather analyses and predictions in digital form. It was also the year that saw us adopt the Internet in earnest to transmit data, and send products to customers. We made the last morse code transmissions in 1999.

OTHERWISE FINE

This year we also successfully launched our Stockmarket listings in seven newspapers and added television programme listings for another seven, growing the market for attractive graphical presentations of variable, time critical, information.

These products use the same technology as the graphic weather presentations produced by our Christchurch-based media graphics unit. The unit provides these weather products for most of New Zealand's newspapers, as well as for customers in Australia.

CupMet 2000, a subscription-based web site is tailor-made for meteorologists working with the America's Cup syndicates. It displays weather data that will help the teams race for the cup.

Aviation Services

Building on our meteorological skill and industry knowledge, we have developed services able to support flight operations world wide, packaging weather information to be convenient and valuable for our aviation customers. Our WINZ system has served well, and now takes advantage of Internet communications. Two additional airlines in China presently have the system on trial.

Business has been gained providing aviation weather services for trans-Pacific flights to and from South America, as well as to new entrants in the domestic aviation market.

The New Zealand Volcanic Ash Advisory Service has been implemented with funding agreed by the aviation industry. MetService plays a coordinating role, enabling eruption information to be incorporated into existing aviation industry notification systems.



Year 2000 compliance

A coordinated compliance programme has been in place since November 1997. This has included testing, and rectifying or replacing internal system components, seeking assurances from suppliers and providing assurances to customers. The compliance programme was audited by KPMG early in 1999.

A programme of contingency exercises commenced in July 1999 to determine what action is needed to minimise the impact of any year 2000 compliance problems that may affect MetService.



Connect to: http://www.metservice.co.nz/corporate/1999_report/chief_executive's_report

MetNote

Certification

MetService has a Corporate objective of supporting 'a programme of quality management practices ... to maintain ISO 9001 and Civil Aviation Rules Part 174 Certification.'

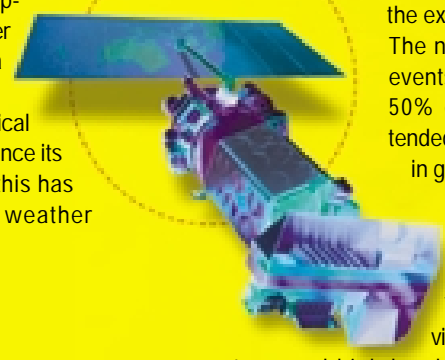
MetService was certified to the ISO 9001 Quality Management Standard as a company in November 1995. Certification was renewed for a further three years in November 1998.

Certification in respect of CAR Part 174 was achieved in November 1995. In the February 1999 audit an expert brought in to report on the computerised documentation of our quality systems found this to be excellent and recommended it as a model that others might follow.

National Weather Services

The Minister of Transport is the National Weather Services division's major customer, and purchases a range of services and information to meet the obligations of the Meteorological Services Act. The most crucial service provided is the issuing of warnings of severe weather. This involves extensive meteorological skill, an understanding of the fundamental physics of the atmosphere, the interpretation of numerical weather prediction information and remotely sensed imagery, as well as robust manual and electronic systems and procedures. We continued to support the production of useful forecasts and warnings, in several key areas.

We have developed a capability to model the weather over New Zealand, to a higher definition than that provided by global numerical prediction models, and, since its introduction mid-year, this has supported the severe weather warnings service.



The accuracy of such warnings of severe weather remained well within performance targets with the exception of heavy snow. The number of heavy snow events has been very low at 50% of average, and we tended to over-forecast snow in general.

Our annual survey of Regional Councils, for whom our Severe Weather Bulletins are of vital importance, continued to reveal high levels of satisfaction with accuracy, timeliness, and helpfulness of the warnings service.

MetService completed the training of eight New Zealand meteorologists to World Meteorological Organization (WMO) standards, and these young professionals have taken their

place in the forecasting team. Two employees from the Fiji Meteorological Service also successfully completed this course.

Data complementing traditional balloon soundings of the upper atmosphere are now being acquired directly from aircraft as they ascend and descend.

In addition to the core national weather services supplied under contract to the Minister of Transport, the NWS division this year carried out a number of revenue earning projects:

- Meteorological equipment was supplied and installed at Taupo Airport, and in Samoa, Pitcairn, and the Cook Islands.
- Consultancy projects were undertaken in Asia, Africa and the Pacific.
- A Consultant Meteorologist position was established during the year to handle domestic assignments, and promotion of the service is ongoing.

WMO

New Zealand is a member of the World Meteorological Organization, along with 185 other countries, and our contract with the Minister of Transport requires the Chief Executive to act as the Permanent Representative with WMO. In addition to dealing with operational meteorology, the role involves coordination of communications, and representation on climate and hydrological matters, for which I received much appreciated support and participation from the many individuals and institutions involved over the last year. In this role I attended the 12th session of the South West Pacific Regional Association, as well as the 13th Congress of WMO.

continued over page...



MetService people

It became very evident during the scoping study commissioned by Treasury to evaluate ownership options for MetService that the strength of the company lies in its people. The results we have achieved are based on the enthusiastic application of the skills of our employees. Certainly good equipment and the procedures are essential, but it is how we configure and use them that matters. Even during the uncertainty of the present situation, as we wait for a decision on ownership, I note with appreciation the unflagging support received from the Company's people. I sincerely thank the directors for their advice and the constructive relationship we enjoy. And I acknowledge the great contribution made by all employees in achieving this year's result.

management committee





directors' report

Report of the Directors to the Shareholders

The Directors have pleasure in presenting their Annual Report, together with the audited financial statements of Meteorological Service of New Zealand Limited for the year ended 30 June 1999.

Business Activities

The principal activity of the Company is the provision of weather information in the form of timely and accurate forecasts, warnings and advice. The Company's business also includes information presentation services.

Ancillary to the core business is the acquisition, processing, interpretation and dissemination of near real-time data, whether carried on in New Zealand or elsewhere.

	1999	\$000	1998	\$000
Results of Operations				
Net Surplus attributable to Shareholders		\$3200		\$3,594
Special Dividend				\$(5,000)
Interim Dividends		\$(1900)		\$(1,900)
Final Dividend declared		\$(1020)		\$(600)
Retained Earnings at beginning of the year		\$65		\$3,971
Retained Earnings at end of year		\$345		\$65

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 Audit Office is the Auditor for the Company. PricewaterhouseCoopers audit the Meteorological Service of New Zealand Limited on behalf of the Controller and Auditor-General.

During the year, amounts received or due and receivable by PricewaterhouseCoopers were: Meteorological Service of New Zealand Limited – Audit \$28,000 (\$33,000 1998) and – Other Services \$32,000 (\$20,000 1998), and Metra Information Limited – Audit \$5,000 (\$5,000 1998) and – Other Services \$0 (\$1,000 1998).

Remuneration of Employees

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

\$000	1999
100 - 109	3
160 - 169	2
180 - 189	1
200 - 209	1
210 - 219	1
350 - 359	1

Directors

In accordance with the Constitution of the Company, directors are appointed by shareholding Ministers. J Leslie was appointed Deputy Chairman on 1 November 1998. B Shackel completed a term and retired on 31 March 1999. R Tait and G Thompson were appointed on 1 December 1998. K Hazlett was appointed on 1 April 1999.

Directors' Remuneration

Directors' remuneration and benefits received, or due and receivable during the accounting period, are as follows:

1999	\$000
J M Crook	36
J K Leslie	21
M Moir	18
B R Shackel	14
K Hazlett	4
R Tait	10
G Thompson	10
Total Directors' Remuneration	\$113

No remuneration was paid to directors in their capacity as directors of Metra Information Limited.

Directors' Interests

Interests Register

The following entries are recorded in the Interests Register:

J K Leslie gave general notice that, as Chairperson of Wickliffe Press Limited, she will be interested in all transactions between Wickliffe Press Limited and MetService.

Directors' Loans

There were no loans by the Company to directors.

Directors' Insurance

The Company has arranged policies for Director's Liability Insurance which ensure 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.

Signed for, and on behalf of, the Board

John M Crook
CHAIRMAN

Joy K Leslie
DEPUTY CHAIRMAN

17 August 1999

Key Performance Indicators for the Year ended 30 June 1999

	Statement of Corporate Intent Target	Actual 1999	Actual 1998
Net Surplus attributable to Shareholders	\$2,697,000	\$3,200,000	\$3,594,000
Net Surplus attributable to Shareholders : Average S/H Funds	60.8%	61.5%	*37.8%
EBIT : Total Tangible Assets	40.0%	48.3%	*34.6%
Current Ratio	0.93:1	1.02:1	0.86:1
Equity Ratio	42.5%	51.1%	52.6%
Net Surplus attributable to Shareholders : Total Sales	11.8%	14.0%	15.2%
Accounting Value of Crown's Investment	\$4,477,000	\$5,345,000	\$5,065,000
Probability of Detection (POD)			
Minimum Heavy Rain	75%	87%	91%
Heavy Snow	75%	93%	91%
Severe Gales	75%	89%	87%
False Alarm Ratio (FAR)			
Maximum Heavy Rain	40%	24%	23%
Heavy Snow	40%	42%	34%
Severe Gales	40%	26%	20%

* Calculation excludes the \$5.0 million special dividend and \$1.0 million term loan transacted on 30 June 1998.

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 Special Weather Bulletins.

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.



financial statements

Statements of Financial Performance for the year ended 30 June 1999

Note	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Revenue				
Operating Revenue	22,929	23,582	22,759	23,499
Total Revenue	22,929	23,582	22,759	23,499
Expenses				
Audit Fees	33	38	28	33
Fees for Other Services provided by Auditor	32	21	32	20
Costs of Operating Leases and Renting Items	97	87	97	87
Bad Debts written off	5	7	5	7
Depreciation	1,638	1,646	1,635	1,646
Directors' Fees	113	112	113	112
Loss on Sale of Fixed Assets	71	17	71	17
Other Expenses	16,155	16,670	16,028	16,567
Total Expenses	18,144	18,598	18,009	18,489
Operating Surplus	4,785	4,984	4,750	5,010
Net Finance (Expense) Revenue	4 (26)	356	(27)	356
Surplus before Taxation	4,759	5,340	4,723	5,366
Taxation Expense	3 (1,559)	(1,746)	(1,547)	(1,746)
Surplus attributable to Shareholders	\$3,200	\$3,594	\$3,176	\$3,620
Retained Earnings				
Retained Earnings brought forward	65	3,971	101	3,981
Dividends	17 (2,920)	(7,500)	(2,920)	(7,500)
Retained Earnings carried forward	\$345	\$65	\$357	\$101

Statements of Financial Position as at 30 June 1999

Note	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Equity				
Capital	7 5,000	5,000	5,000	5,000
Retained Earnings	345	65	357	101
Total Equity	5,345	5,065	5,357	5,101
Liabilities				
Accounts Payable and Accruals	8 3,053	2,937	2,886	2,924
Directors' Fees Payable	32	28	32	28
Provision for Dividend	17 1,020	600	1,020	600
Income Taxation Payable	3 -	4	-	4
Total Current Liabilities	4,105	3,569	3,938	3,556
Term Loan	12 1,000	1,000	1,000	1,000
Total Liabilities and Equity	\$10,450	\$9,634	\$10,295	\$9,657
Assets				
Cash on Hand at Bank	36	54	33	54
Accounts Receivable – Trade	716	723	686	702
Accounts Receivable – Other	584	440	469	440
Amounts Owing from Subsidiary	-	-	43	44
Deposits	2,310	1,455	2,310	1,455
Inventories	542	386	542	386
Taxation Refund	3 9	-	9	-
Total Current Assets	4,197	3,058	4,092	3,081
Deferred Taxation	3 535	234	535	234
Other Assets	38	40	38	40
Fixed Assets	5 5,680	6,302	5,630	6,302
Total Assets	\$10,450	\$9,634	\$10,295	\$9,657

Signed for, and on behalf of, the Board,

The accompanying Notes to the Financial Statements on screens 2 to 4 form part of these Financial Statements.

John M Crook
CHAIRMAN

Joy K Leslie
DEPUTY CHAIRMAN

17 August 1999



Statements of Movement in Equity for the year ended 30 June 1999

Note	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Equity as at 1 July	5,065	8,971	5,101	8,981
Surplus for the Year	3,200	3,594	3,176	3,620
Dividends Payable in Cash				
Special Dividend	-	(5,000)	-	(5,000)
Interim Dividends	(1,900)	(1,900)	(1,900)	(1,900)
Final Dividend	17 (1,020)	(600)	(1,020)	(600)
Equity as at 30 June	5,345	5,065	5,357	5,101

Statements of Cash Flow for the year ended 30 June 1999

Note	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Cash Flow from Operating Activities				
Cash was Provided From:				
Receipts from Customers	23,078	23,949	22,775	23,866
Interest Received	68	369	68	369
Cash was Applied To:				
Payments to Suppliers and Employees	(16,813)	(17,221)	(16,566)	(17,126)
Interest Paid	(95)	-	(95)	-
Income Taxation Paid	(1,873)	(1,767)	(1,873)	(1,767)
Net Cash Flow From Operating Activities	6 4,365	5,330	4,309	5,342
Cash Flow from Investing Activities				
Cash was Provided From:				
Sale of Fixed Assets	228	23	228	23
Deposits Repaid	-	2,745	-	2,745
Cash was Applied To:				
Deposits	(855)	-	(855)	-
Term Investments	-	(6)	-	(6)
Purchase of Fixed Assets	(1,256)	(1,010)	(1,203)	(1,010)
Net Cash Flow (Applied To) From Investing Activities	(1,883)	1,752	(1,830)	1,752
Cash Flow from Financing Activities				
Cash was Provided From:				
Long Term Debt	-	1,000	-	1,000
Cash Applied To:				
Dividends	17 (2,500)	(8,035)	(2,500)	(8,035)
Net Cash Flow Applied to Financing Activities	(2,500)	(7,035)	(2,500)	(7,035)
Net (Decrease) Increase in Cash Held	(18)	47	(21)	59
Add Opening Cash (Overdraft) brought forward	54	7	54	(5)
Ending Cash carried forward	\$36	\$54	\$33	\$54

The accompanying Notes to the Financial Statements on screens 2 to 4 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 30 June 1999

Note 1 – Statement of Accounting Policies

The financial statements presented here are for the reporting entity Meteorological Service of New Zealand Limited and the consolidated financial statements of the group comprising Meteorological Service of New Zealand Limited and the wholly owned subsidiary Metra Information Limited. The financial statements are presented in accordance with the Companies Act 1993, and are prepared in accordance with the Financial Reporting Act 1993.

A. General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and the financial position under the historical cost method are followed in the preparation of the financial statements.

B. Particular Accounting Policies

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows are applied.

a) Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received or receivable by the Company for goods and services supplied to customers in the ordinary course of business. Revenue excludes Goods and Services Tax.

b) Accounts Receivable

Accounts receivable are valued at their expected net realisable value. An estimate is made for doubtful debts based on a review of all outstanding accounts at year end. Bad debts are written off during the year they are identified.

c) Inventories

Inventories are valued at the lower of cost, on a weighted average cost of inventory on hand calculated at the time of the last purchase, and net realisable value.

d) Fixed Assets

Fixed assets are initially stated at cost and depreciated as indicated below.

e) Distinction between Capital and Revenue Expenditure

Capital expenditure is defined as all expenditure on the creation of a fixed asset, and any expenditure which results in a significant improvement in the formation of a fixed asset.

Revenue expenditure is defined as expenditure which restores an asset to its original condition and all expenditure incurred on maintenance and operating the Company.

f) Depreciation

Depreciation of fixed assets, other than freehold land, is calculated using the straight-line method to allocate the historical cost or valuation over the estimated useful life of the asset, after due allowance has been made for the expected residual value. Leasehold land capitalised on the establishment of the business is depreciated over the life of the lease. The cost of improvements to leasehold property is capitalised, disclosed as buildings on leased land, and amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is the shorter.

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

Buildings	2.5%
Computer Equipment	20.0%-33.3%
Furniture & Fittings	20.0%
Meteorological Equipment	10.0%
Motor Vehicles	20.0%
Office Equipment	20.0%
Plant & Equipment	10.0%

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

g) Taxation

The income taxation expense charged against the surplus includes both current and deferred taxation, and is calculated after allowing for non-assessable income and non-deductible costs.

Deferred taxation resulting from timing differences is adjusted against the surplus for the year using the liability method of calculation applied on a partial basis. Only timing differences expected to reverse in the foreseeable future are recognised for this purpose. A deferred taxation benefit relating to any taxation losses is only recognised if there is a virtual certainty of realisation.

h) Leases

Operating lease payments, where lessors retain substantially all the risk or benefit of ownership of the leased items, are included in the determination of operating surplus in equal instalments over the term of the lease.

i) Foreign Currencies

Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction, except for those transactions subject to forward contracts, where the forward rates specified in those contracts are applied.

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 Statement of Financial Performance.

j) Software

Computer software, either purchased or developed by MetService for its own use, is capitalised in the year in which the expenditure is incurred and amortised over a period of three years where it is considered that there will be an enduring identifiable benefit.

k) Financial Instruments

Financial instruments with off balance sheet risk entered into as hedges of an underlying exposure to fluctuations in foreign currency exchange rates are accounted for on the same basis as the underlying exposure. Financial instruments entered into with no underlying exposure are accounted for on a mark-to-market basis.

l) Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

- i) Cash is considered to be cash on hand and current accounts in banks.
- ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.



iii) Financing activities are those activities which result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.

iv) Operating activities include all transactions and other events that are not investing or financing activities.

m) 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.

n) Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 1999 using the purchase method.

The results of any subsidiary acquired during the year are included in the Statement of Financial Performance from the date of acquisition.

All significant transactions between Group companies are eliminated on consolidation.

C. Changes in Accounting Policies

There have been no material changes in accounting policies during the year. All accounting policies have been applied on a basis consistent with the previous year.

Note 2 – Segment Information

Meteorological Service of New Zealand Limited operates predominantly in one industry segment, meteorological services. Its operations are carried out predominantly in New Zealand and are therefore within one geographical segment for reporting purposes. All activities are continuing.

Note 3 – Taxation Expense

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Surplus for the Year	4,759	5,340	4,723	5,366
Prima Facie Taxation thereon at 33 per cent	1,570	1,762	1,558	1,771
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	6	6	6	6
Non-Assessable Income	(20)	-	(20)	-
Prior Year Adjustment	3	(22)	3	(22)
Group offset – Metra Information Limited	-	-	-	(9)
Taxation Expense	\$1,559	\$1,746	\$1,547	\$1,746
Current Taxation	1,860	1,692	1,848	1,692
Deferred Taxation	(301)	54	(301)	54
Taxation Expense	\$1,559	\$1,746	\$1,547	\$1,746
Deferred Taxation				
Deferred Taxation 1 July	234	288	234	288
On Surplus for the Year	301	(54)	301	(54)
Prior Year Adjustments	-	-	-	-
Deferred Taxation 30 June	\$535	\$234	\$535	\$234
Imputation Credit Account				
Imputation Credit Account 1 July	157	2,085	157	2,085
Income Taxation Paid during the Year	1,873	1,767	1,873	1,767
Use of Money Interest transferred to Taxation Paid	-	7	-	7
Imputation Credits attached to Dividends Paid during the Year	(1,231)	(3,702)	(1,231)	(3,702)
Imputation Credit Account 30 June	\$799	\$157	\$799	\$157

Note 4 – Net Finance Expense

Interest Revenue	69	356	68	356
Interest Expense	(95)	-	(95)	-
Net Finance (Expense) Revenue	\$(26)	\$356	\$(27)	\$356

Note 5 – Fixed Assets

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Land				
Cost	118	156	118	156
Accumulated Depreciation	-	-	-	-
Book Value	118	156	118	156
Land – Leasehold				
Cost	447	447	447	447
Accumulated Depreciation	(154)	(129)	(154)	(129)
Book Value	293	318	293	318
Buildings				
Cost	393	393	393	393
Accumulated Depreciation	(101)	(56)	(101)	(56)
Book Value	292	337	292	337
Buildings on Leasehold Land				
Cost	1,546	1,546	1,546	1,546
Accumulated Depreciation	(311)	(277)	(311)	(277)
Book Value	1,235	1,269	1,235	1,269
Furniture and Fittings				
Cost	408	350	408	350
Accumulated Depreciation	(234)	(179)	(234)	(179)
Book Value	174	171	174	171
Computer Equipment				
Cost	4,934	4,548	4,888	4,548
Accumulated Depreciation	(3,610)	(2,955)	(3,607)	(2,955)
Book Value	1,324	1,593	1,281	1,593
Meteorological Equipment				
Cost	6,133	6,014	6,133	6,014
Accumulated Depreciation	(4,686)	(4,185)	(4,686)	(4,185)
Book Value	1,447	1,829	1,447	1,829
Motor Vehicles				
Cost	186	190	186	190
Accumulated Depreciation	(136)	(134)	(136)	(134)
Book Value	50	56	50	56
Office Equipment				
Cost	192	169	192	169
Accumulated Depreciation	(141)	(123)	(141)	(123)
Book Value	51	46	51	46
Plant and Equipment				
Cost	357	290	357	290
Accumulated Depreciation	(136)	(105)	(136)	(105)
Book Value	221	185	221	185
Other Fixed Assets				
Cost	-	1	-	1
Accumulated Depreciation	-	(1)	-	(1)
Book Value	-	-	-	-
Capital Work in Progress				
Cost	475	342	468	342
Net Total Book Value	\$5,680	\$6,302	\$5,630	\$6,302

The aggregate of the latest Government Valuation (1999) of Land is \$120,000, Buildings is \$312,000, and Buildings on Leased Land is \$2,679,000. Assets have not been revalued.



Note 6 – Reconciliation of Surplus Attributable to Shareholders with Cash Flow from Operating Activities

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Surplus for the Year	3,200	3,594	3,176	3,620
Non Cash Items				
Loss on Disposal of Fixed Assets	71	17	71	17
Capital Profit on Disposal of Fixed Assets	(59)	-	(59)	-
Revaluation of Foreign Currency Assets	2	(8)	2	(8)
Depreciation	1,638	1,646	1,635	1,646
Movement in Deferred Taxation Benefit	(301)	54	(301)	54
Total Non Cash Items	1,351	1,709	1,348	1,709
Movements in Working Capital				
(Increase) Decrease in Receivables	(137)	355	(12)	352
Increase (Decrease) in Accounts Payable and Accruals	134	(313)	(18)	(330)
(Decrease) Increase in GST and Income Taxation Payable	(27)	(64)	(29)	(58)
(Increase) Decrease in Inventories	(156)	49	(156)	49
Total Movement in Working Capital	(186)	27	(215)	13
Net Cash Flow From Operating Activities	\$4,365	\$5,330	\$4,309	\$5,342

Note 7 – Capital

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Authorised, Issued and Fully Paid Capital consists of 5,000,000 Ordinary shares	\$5,000	\$5,000	\$5,000	\$5,000

Share issue details and rights Ordinary shares

As at 30 June 1999 there were 5,000,000 shares issued and fully paid (1998: 5,000,000). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

Note 8 – Accounts Payable and Accruals

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Sundry Creditors and Accruals	1,137	1,272	1,016	1,251
Accounts Payable, including PAYE and GST	830	749	836	757
Employee Entitlements	1,018	878	1,018	878
Income in Advance	68	38	16	38
Total Accounts Payable and Accruals	\$3,053	\$2,937	\$2,886	\$2,924

Note 9 – Capital Commitments

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Capital Commitments outstanding at balance date not provided for	\$6	\$49	\$6	\$49

Note 10 – Lease Commitments

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Non-Cancellable Operating Lease Commitments are:				
0-1 Year	88	98	88	98
1-2 Years	68	71	68	71
2-5 Years	77	104	77	104
5 Years and Over	47	61	47	61

Note 11 – Software Development Costs

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Incomplete Software Projects as at 1 July	126	307	126	307
Software Development Costs Capitalised During the Year	453	461	453	461
Cost of Software sold to External Parties	(100)	(222)	(100)	(222)
Software Development Costs transferred to Fixed Assets	(196)	(420)	(196)	(420)
Incomplete Software Projects as at 30 June	\$283	\$126	\$283	\$126

Internally developed software costs for which there is an enduring benefit are capitalised and amortised over a period of three years.

Note 12 – Term Loan

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Unsecured Bank Loan	\$1,000	\$1,000	\$1,000	\$1,000

On 30 June 1998, MetService entered into a three year term loan agreement with the Westpac Banking Corporation. No security has been provided for this loan. The interest rate is fixed to 30 September 1999 at 5.75% pa.

Note 13 – Financial Instruments

a) Nature of activities and management policies with respect to financial instruments

	Group 1999 \$000	Group 1998 \$000	Parent 1999 \$000	Parent 1998 \$000
Forward Contract Agreements				
At balance date the notional principal or contract amounts of foreign currency agreements outstanding were (NZ\$):	\$434	\$589	\$434	\$589

Meteorological Service of New Zealand Limited undertakes transactions denominated in foreign currencies from time to time and, resulting from these activities, incurs exposures to foreign currency risks. It is Meteorological Service of New Zealand Limited policy to hedge foreign currency risks as they arise. Meteorological Service of New Zealand Limited uses forward and spot foreign exchange contracts to manage these exposures.

Credit Risk

Financial instruments which potentially subject Meteorological Service of New Zealand Limited to credit risk principally consist of bank transactions and deposits, accounts receivable and sundry accounts receivable. Meteorological Service of New Zealand Limited 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 Minister of Transport represent a significant account receivable, however, it is not regarded as a significant concentration of credit risk.

Meteorological Service of New Zealand Limited does not require collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

Interest Rate Risk

Meteorological Service of New Zealand Limited's short term deposits are at fixed interest rates and mature within 60 days.

Meteorological Service of New Zealand Limited has long term fixed rate borrowings which are used to fund ongoing activities. Interest rate exposure is maintained on a fixed rate basis.

b) Fair Values

There were no differences between the fair value and the carrying amounts of financial instruments at 30 June 1999.

Note 14 – 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.

Note 15 – Related Party Transactions

During the year, Meteorological Service of New Zealand Limited provided certain meteorological services to the Minister of Transport under a significant contract. There were no outstanding balances at year end. 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 and are not considered to fall within the intended scope of Related Party Transactions.

Note 16 – Investment in Subsidiary

The Parent Company's investment in the subsidiary comprises shares at cost. Metra Information Limited, a company involved with the provision of weather and information presentation services, is a wholly owned subsidiary with a 30 June balance date.

Note 17 – Dividend

Directors have declared a final dividend of \$1,020,000 (1998 \$600,000) bringing the total dividend payment for the year to \$2,920,000 (1998 \$7,500,000).



auditors' report

directory

Report of the Audit Office to the readers of the financial statements of Meteorological Service of New Zealand Limited and Group for the year ended 30 June 1999.

We have audited the attached statements of financial performance, financial position, movements in equity, and cash flow and the accompanying notes to the financial statements 1 to 17 ("financial statements"). The financial statements provide information about the past financial performance and financial position of Meteorological Service of New Zealand Limited and Group as at 30 June 1999. This information is stated in accordance with the accounting policies set out in note 1.

Responsibilities of the Board of Directors

The State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of Meteorological Service of New Zealand Limited and Group as at 30 June 1999 and its financial performance and cash flows for the year ended 30 June 1999.

Auditor's Responsibilities

Section 19 of the State-Owned Enterprises Act 1986 requires the Audit Office to audit the financial statements presented by the Board. It is the responsibility of the Audit Office to express

an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed Timothy John Fairhall, of PricewaterhouseCoopers, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Meteorological Service of New Zealand Limited's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have carried out other assignments for the Meteorological Service of New Zealand Limited in the areas of consulting and taxation advice. Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no other relationship with or interest in the Meteorological Service of New Zealand Limited or is subsidiary.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Meteorological Service of New Zealand Limited and Group as far as appears from our examination of those records; and
- the financial statements of the Meteorological Service of New Zealand Limited and Group:
 - comply with generally accepted accounting practice; and
 - give a true and fair view of:
 - the financial position as at 30 June 1999; and
 - the financial performance and cashflows for the year ended on that date.

Our audit was completed on 17 August 1999 and our unqualified opinion is expressed as at that date.

T J Fairhall
PricewaterhouseCoopers

On behalf of the Controller and Auditor-General
Wellington, New Zealand

Directors

John M Crook, ME, MPP, MIPENZ (Chairman)
16 Swainson Street, Lower Hutt

Joy K Leslie, MBE, FNZIM (Deputy Chairman)
176 Beacon Point Road, Wanaka

Kate Hazlett
Hukarere Station, Tapanui

Margaret Moir, QSO, JP
Kaihinu, Arapura Valley, Hokitika

Robert B Tait
7 Hikutaia Road, Opotiki

Geoffrey W F Thompson, CNZM
"Ratadale", Waikanae

Registered office

Level 2
30 Salamanca Road
P O Box 722
Wellington
Telephone (04) 472-9379
Facsimile (04) 473-5231

Company secretary

Marco Overdale

Banker

Westpac Banking Corporation
318 Lambton Quay
P O Box 1298
Wellington

Solicitors

Kensington Swan
87-91 The Terrace
P O Box 10-246
Wellington

Auditor

PricewaterhouseCoopers
113-119 The Terrace
P O Box 243
Wellington

On behalf of

Controller and Auditor-General
48 Mulgrave Street
P O Box 3928
Wellington

Executive

Chief Executive
John Lumsden
lumsden@met.co.nz

General Manager, National Weather Services, and Chief Meteorologist
Neil Gordon
gordon@met.co.nz

General Manager, Aviation Services
Keith Mackersy
mackersy@met.co.nz

Development Manager
Marco Overdale
overdale@met.co.nz

General Manager, Information Presentation Services
David Knott
knott@met.co.nz

Human Resources and Corporate Services Manager
Adrienne Riggs
riggs@met.co.nz