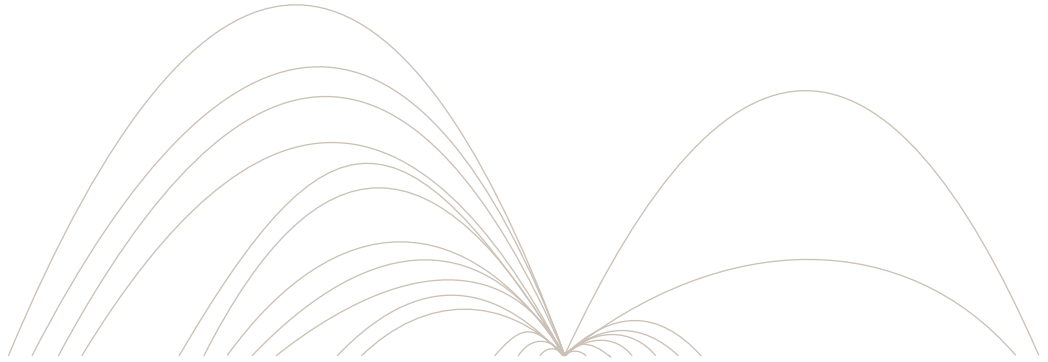

METSERVICE
METRA
Annual Report
2003-2004



UNITED KINGDOM
NETHERLANDS
DENMARK
ITALY

LEBANON
TURKEY
SAUDI ARABIA
DUBAI
PAKISTAN

CHINA
SINGAPORE

AUSTRALIA
VANUATU
NEW CALEDONIA
NEW ZEALAND
NIUE
TOKELAU
KIRIBATI
TUVALU
COOK ISLANDS
PITCAIRN ISLAND

GALAPAGOS ISLANDS
UNITED STATES

GLOBAL WEATHER SOLUTIONS FROM METSERVICE

‘THERE ARE COUNTLESS WAYS OF ACHIEVING GREATNESS, BUT ANY ROAD TO ACHIEVING MAXIMUM POTENTIAL MUST BE BUILT ON A BEDROCK OF RESPECT FOR THE INDIVIDUAL, COMMITMENT TO EXCELLENCE, AND A REJECTION OF MEDIOCRITY.’

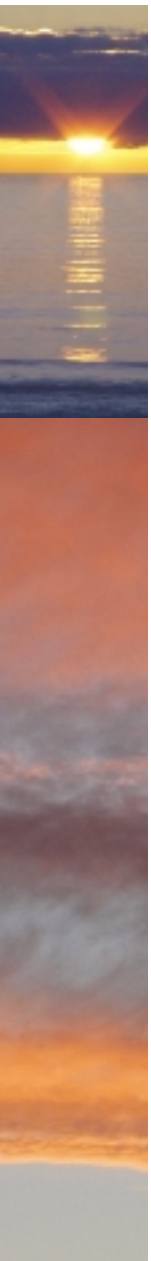
FG Rodgers, leadership expert, writer and speaker

MetService started life in 1861 as a storm-warning service provided in response to a spate of shipwrecks. Today MetService is a solid and profitable company with a strong international reputation for providing the highest standards of weather and information presentation services to customers around the world.

We are recognised for our excellent people, progressive technology, and the ability to provide tailored services to a range of customers including international media, energy and aviation companies, small local businesses, and the people of New Zealand. Our customers rely on us to understand their needs and provide the right information, in the right format, at the right time – to wherever it is required.

Excellence is our goal and we take it very seriously because we know that to be successful in our business we have to deliver the best results to all our customers.

UNDERSTANDING OUR CUSTOMERS IS ONE OF THE KEYS TO OUR SUCCESS.



MetService is proud to supply weather and information presentation services from our home in New Zealand to a truly global customer base. Our success is driven by passion – not just for what we do, but also for what our customers do. It's about thinking beyond the weather.

We aim to understand our customers' business from every angle – put ourselves into our customers' shoes – and then use our professional meteorological judgement, technical expertise and quality management systems to deliver cost-effective, strategic solutions.

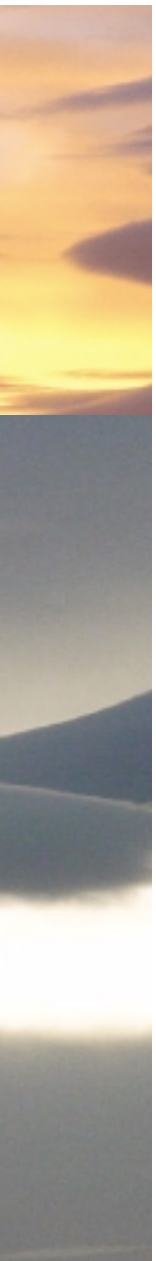
And we believe that it is our duty not just to deliver what we're asked to provide, but to question, examine and develop the best solution for each customer's particular situation.

Recently we worked with Air New Zealand who wanted to install a low-level acoustic sounding system to measure wind speed and direction at Dunedin Airport. The system was required to assist with forecasting wind shear, which can be problematic for aircraft when landing or taking off. When MetService examined the issue we recommended developing a model-based forecast, rather than utilising ground-based hardware installations, to identify when conditions were likely to produce wind shear. We felt that this would be a more cost-effective, safe and reliable solution for Air New Zealand.

Our work with the Coastguard Northern Region to replace their Nowcasting network around the Hauraki Gulf led to the development of mSTAR, a revolutionary professional weather station. mSTAR is low cost and easy to install, it can be solar powered and communicates using modern GPRS systems, which is ideal for remote locations. The new mSTAR Nowcasting network provides mariners in the Auckland region with accurate and very reliable wind speed and direction information, updated every minute, from four sites around the Hauraki Gulf and two on the west coast. Coastguard broadcasts of the mSTAR wind reports contribute to safety at sea by helping boaties make sound planning decisions. The use of cellular GPRS communications has replaced a network of radio repeater stations that were necessary to support the old weather stations used around the Gulf.

mSTAR also has the potential to be applied and tailored to many other industries and situations including at airports, for monitoring road conditions, and by energy companies to calibrate forecast temperatures for power stations.

ADDING VALUE IS SOMETHING WE DON’T TAKE LIGHTLY.



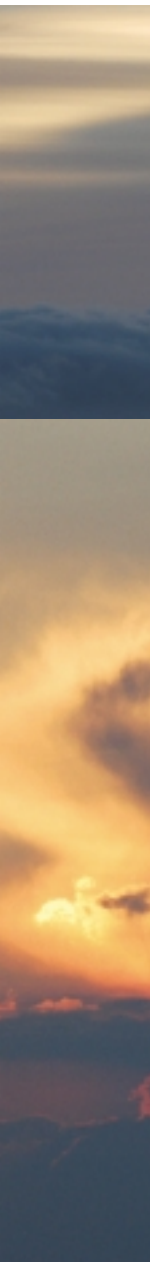
On every project we undertake, our aim is to add value for our customers. We do this by continually pushing ourselves to find innovative and versatile ways to meet our customers’ needs.

Our expertise in weather presentation and the media industry enabled us to develop a service that is saving newspapers time and money. We looked at how to add value to our media customers and created a system to produce attractive, informative and efficient weather graphics which was later applied to other graphics content such as TV listings and financial information.

This allows newspapers to concentrate on their core editorial business and rely on MetService to provide a regular, reliable and well-presented range of graphic products particularly suited to their publication. Up to the minute information is key for newspapers and we are able to supply this to meet press deadlines.

A testament to the strength of the products is their popularity. They don’t just work for the newspapers’ readers but are also highly regarded by advertisers who are keen to associate themselves with the relevant TV, news, business and weather sections.

IF IT WORKS FOR OUR CUSTOMERS IT WORKS FOR US.



We are not a ‘one size fits all’ operation. We do have many existing products and services that will provide customers with the type of solution they require – but we can also tailor them to suit individual requirements. We believe that customisation is essential for our customers, and the feedback we get from them proves we’re right.

Our work with the aviation industry has been very successful and this is in part because we can personalise all the available charts to whatever our individual aviation customers require. Many of our customers are not able to access a tailored service in their local markets, and have turned to MetService for help.

We work with some notable airlines including Cathay Pacific and Air New Zealand – who have chosen to use MetService aviation services for their worldwide operations. We also work with many other airlines in the Asia-Pacific region including: Pacific Blue, Air Calin, Polynesian Airlines, Qantas and Emirates Airline.

We have also been successful in creating personalised media services – working with Saudi TV we were able to set up a weather show that included a section that gave details of prayer times during the weather programme. And when the BBC asked us to develop a new way of displaying texture and terrain for their weather graphics we were happy to find a solution.

At MetService ‘not possible’ is not the right answer – if there’s a way to make our services suit our customers' needs then we will deliver.

TO PROVIDE AN ACCURATE FORECAST FOR THE FUTURE YOU NEED TO KNOW AND UNDERSTAND WHAT HAPPENED IN THE PAST.

OUR HISTORY

The observation and study of New Zealand's weather started as early as the 1840s. Weather forecasting services started in 1861 as a storm warning service in response to a spate of shipwrecks. From these beginnings, forecasting became the responsibility of the Department of Scientific and Industrial Research, then the Air Force, and later the Ministry of Transport.

Over the years weather forecasting has become increasingly important both socially and economically. Since 1992 when MetService became a State Enterprise we have achieved many milestones including being the first National Meteorological Service to be awarded ISO 9001 quality certification; establishing a subsidiary company – Metra – to focus on international growth; development of leading edge 3D weather presentation systems and in-house fine scale weather modelling.

Today, MetService is a dynamic and successful organisation internationally recognised for its expertise, and its weather and information presentation services. MetService is made up of four main operational divisions: National Weather Services, Aviation Services, Information Presentation Services and International (through the Metra Information Limited subsidiary).

The operational divisions are supported by teams responsible for the development, maintenance, and continuity of systems.

OUR SERVICES

The weather information services offered by MetService are all designed to help our customers improve their businesses, services and day-to-day lives. The services range from general forecast services to more specialised products designed to meet the needs of specific industries.

MetService uses a variety of methods for delivering services to customers from sophisticated web browsers, email, text messaging and file transfer protocols to the more humble fax machine.

General Business Services: from short-term specialist forecasts, animated weather maps, and detailed forecasts for New Zealand to swell forecasts for fast ferries and forecasting the effect of weather on avalanche dangers.

Aviation: Aviation Services helps airlines to operate more safely, efficiently and cost-effectively in New Zealand and around the world.

Consultancy: the Forensic Consultancy service can supply information for situations affecting areas including insurance claims, court evidence and assessing the impact of the weather on particular projects. MetService also offers an international consultancy service that provides advice on aspects of our business expertise including implementing ISO 9001, meteorological training and technical assistance.

Marine Services: from freely available basic marine forecasts funded by the New Zealand government, to tailored forecasts designed to meet specific requirements for everything from oil exploration to individual voyages.

Meteorological Systems: from Pakistan to Pitcairn Island, MetService has provided meteorological instrumentation systems to a wide variety of customers. In New Zealand most commercial airports are equipped with MetService's automatic weather stations and innovative display systems.

Internet: MetService can provide real-time weather information directly to a customer's server for inclusion on their website or delivered via their own in-house applications.

Media: print, TV and radio – MetService is a world leader in high-quality presentation packages to media outlets in New Zealand and globally including CNBC Asia, Europe, Arabiya, Turkey; Future TV, Saudi TV, The Weather Channel and Channel Nine Network in Australia; and TV3 and TVNZ in New Zealand.

Primary Industries: services to agriculture and horticultural businesses including seasonal forecasts, frost forecasts and drying indices; these services are essential to help businesses make the right decisions.

Industry Specific: MetService can work with any weather dependent industry to improve business and cost efficiencies.

MetService
Metra

Above: Dr Francis Small
Chairman

Below: John Lumsden
Chief Executive

METSERVICE HAS ACHIEVED STRONG RESULTS IN THE PAST YEAR, CONSISTENT WITH OUR GROWTH STRATEGY, AND BASED ON THE SIGNIFICANT EFFORTS OF OUR EMPLOYEES AND PARTNERS IN THE BUSINESS.

THE YEAR IN REVIEW 2003/2004

HIGHLIGHTS

Financially we achieved a net surplus of $2.90m, exceeding our business plan by $0.88m, primarily due to stronger revenue growth than expected.

Weather forecasting performance for New Zealand was commendable in a year of extreme weather events, including heavy rains in February that produced extensive flooding in the North Island.

A new ability to forecast the potential for localised intense downpours was developed. It is now incorporated in the enhancements to services provided for public good that are funded by the Ministry of Transport.

Our mesoscale weather modelling capability was further enhanced and provides guidance for New Zealand forecasting. It also supports our services to the media and energy industries in New Zealand and internationally.

Awareness of our Metra brand is increasing, as we earn growing respect from the media and energy industries overseas.

The most recent version of Weatherscape – our 3D weather graphics software for television – went to air with five new stations. We were delighted to be chosen by the BBC to develop a special version of Weatherscape for a major upgrade of weather presentations on all its channels next year.

We achieved gains in the energy sector, with increased sales of our spot temperature and wind forecasts to electricity generators and traders.

MetService personnel contributed to the leadership of the World Meteorological Organization. Neil Gordon presided over the Commission for Aeronautical Meteorology, Steve Ready chaired the Tropical Cyclone Committee of the South West Pacific Region, and John Lumsden participated as a member of the Executive Council.

Relationships with Public Sector organisations were active and positive during the year. We appreciate working together with the Ministry of Transport, the Civil Aviation Authority, the Maritime Safety Authority, the Institute of Geological and Nuclear Sciences, the National Institute of Water and Atmospheric Research, the Ministry of Civil Defence and Emergency Management, and Regional and District Councils throughout New Zealand.

The contribution of MetService employees was outstanding, as they demonstrated enthusiasm, and applied innovation to provide services of real value.

The owners noted the Company's strong performance, and supported the current growth strategy. Based on this success the business definition has been updated:

- Core Business – the provision of weather services in New Zealand and internationally, including data acquisition, forecasts and warnings, dissemination, and consultation;
- Related Business – the acquisition, processing, interpretation, presentation and dissemination of near real-time non-weather information.

FINANCIAL

The MetService group achieved a tax paid profit of $2.90m, which represents an after tax return on average shareholders' funds of 30.9%. This result was $0.88m greater than the financial target forecast in the Statement of Corporate Intent and $0.22m greater than the result for 2003. The excellent return was the result of stronger than anticipated revenues, particularly from our international markets. Dividends of $1.49m were paid during the year, representing a final dividend for 2003 of $0.79m and an interim dividend for 2004 of $0.70m.

THE PROVISION OF WEATHER SERVICES IN NEW ZEALAND AND INTERNATIONALLY

In New Zealand, MetService is the name recognised and trusted for providing weather services. We ranked sixth out of 27 organisations in a Reader's Digest survey on the most trusted government services just after the Fire Service, Police, Defence Force, Postal Service and Universities.

We use the Metra identity to represent our international commercial services and for information services within New Zealand that have no weather content. The Metra identity helps to distinguish this part of the business from our role as a New Zealand meteorological service. Metra is rapidly developing a global presence, particularly in the media and energy industries. We are also building a strong reputation for commercially focused creativity and innovation with the new products and services developed for international markets.

DATA ACQUISITION

The company has been involved in capacity building in a number of ways:

- An upgrade of the Coastguard Northen Region weather stations was completed. This involved the development of an accurate, low-cost weather station that can transmit data each minute using cell phone technology. The equipment, branded as mSTAR, is so effective that additional sales have been made already for other locations in New Zealand, and the first overseas installation is planned at a customer site.
- The Global Climate Observing System Secretariat at the World Meteorological Organization (WMO) has accepted a proposal to fund a technical support project operated by MetService for selected Pacific Island upper air and surface stations.
- MetService has been involved in upgrading the upper air installations at the Galapagos Islands and Penrhyn Island. Other projects have been completed with UK Met Office funding, the most notable being the installation of new hydrogen equipment at Penrhyn Island and Tarawa.
- At short notice an employee travelled to Niue following the devastation of Tropical Cyclone Heta, and installed enough equipment to restore Niue's basic weather reporting programme.
- MetService personnel participated in WMO panels concerning Drifting Buoy Cooperation, and Aircraft Meteorological Data Relay, and also hosted WMO meetings in December on the Global Telecommunications System and the use of the Internet for data exchange.

FORECASTING

During the year MetService continued to invest in automated mesoscale modelling capability. This provides guidance for New Zealand forecasters, underpins our energy industry products, and provides information directly to a number of broadcasters who run Weatherscape systems. Our statistical calibration methods now enable clients to receive forecasts with a significant improvement in accuracy. We have commenced migration to the state of the art Weather Research and Forecasting (WRF) model.

We developed significant new capability to forecast the potential for severe convection activity including localised intense downpours. This will be provided as a new service, from late in 2004, to the New Zealand community as part of our Agreement with the Minister of Transport. Other new services under this agreement include the addition of Lewis Pass and Arthur's Pass to roads covered by the MetService snowfall warning service, and next year's planned extension of marine forecasts out to five days.

METSERVICE HAS A NUMBER OF WAYS TO DELIVER AVIATION FORECASTS TO AIRLINES, AND THE AIRLINES CAN PASS THE BENEFITS ON TO THEIR CUSTOMERS.

DISSEMINATION

Methods used to distribute weather information all have lifecycles. Morse code has been abandoned, facsimile is in decline, fixed line phone services hold steady, and mobile and Internet services are on the rise. This year MetService provided content for Vodafone live!, that enabled mobile phone users to view looping satellite and radar images. This was selected as the top 'Business to Consumer' application at the 2003 Telecommunications Users Association of New Zealand (TUANZ) Interactive Awards.

TELEVISION

We developed the next generation of TV weather presentation graphics software, Weatherscape XT. This was completed at the beginning of the financial year, and subsequent enhancements continue to be released. The product was launched at the International Broadcasting Convention's conference in Amsterdam in September and was well received. It allows broadcasters to easily change the configuration of the weather forecast 'look and feel', assimilate weather information automatically, and to edit specific data easily.

In addition to existing customers in Asia and Europe, we welcomed three TV stations in the Middle East, one in Australia, and another in New Zealand. All have licensed the new Weatherscape XT software.

Broadcasters can choose to have their Weatherscape systems supplied with MetService's model forecast information. An example of our capability is the production of 10-day forecasts for 500 sites around the world for television customers.

In February, Metra won the BBC's tender for a new weather graphics system for its entire network of regional and national broadcast centres, against twelve qualified competitors. Feedback from the tender process indicated that the iconic broadcaster was impressed with Metra's customer focus and attention to detail. The project involves the development and adaptation of our weather graphics software, provision of a weather data management capability and comprehensive user training.

ENERGY

We are pleased with the continued growth of our services to the energy sector, with a customer base of generators and traders in Australasia and Europe. In addition to highly accurate spot forecasts for temperature, we now produce forecasts specifically for clients with an interest in wind-power.

AVIATION

The first signs of an improvement in the aviation industry started to appear during the second half of the year, and new business was gained with China Southern Airlines, the largest airline in China. Several new carriers also started services to New Zealand during the year and this provided better than expected results from the Pacific and New Zealand markets.

The Civil Aviation Authority has agreed to sponsor the MetFlight system for use by recreational pilots and flight training organisations in New Zealand, and this service will start in early 2004/2005.

MetService has some unique products for the aviation industry. One is the special turbulence forecasts for the Silk Route in western China that both Qantas and UPS use. Another is a special wind shear forecast developed for Air New Zealand. This provides an indication of the likelihood of wind shear at Dunedin Airport where the phenomenon can cause problems for arriving and departing aircraft. The wind shear forecast is produced using weather modelling rather than being based on ground installations.

We have a number of ways to deliver aviation forecasts to customers. Air New Zealand purchased a specially customised version of our WeatherTrak system to support all its international flights. Our web-based MetJet service is used by several aircraft operators in New Zealand, and by China Eastern Airlines in Shanghai who now use this system as their primary source of international weather information.

RELATED BUSINESS

The number of newspapers acquiring non-weather content continued to expand during the year. Three were provided with financial information, three with agricultural indices and four with television programme listings. In addition, we provided graphics to newspapers covering the Rugby World Cup and Super 12 Rugby fixtures. Towards the end of the year, we launched a HazardWatch graphic produced in conjunction with the Institute of Geological and Nuclear Sciences.

INFRASTRUCTURE

We refurbished our forecast operations area at Kelburn, with significant improvements to the working environment. The layout reflects the current business requirements, and there is improved lighting, climate control, and height adjustable work-stations. During the project forecasters were housed in the training area and there was no disruption to forecast services throughout the transition.

The new information database system, named ICE, became operational. International energy customers were first to receive services from it in February. ICE is now part of the IT infrastructure of the company as staff are migrating more products using its user interface.

Work commenced on a new corporate website. The new website will enable user customisation and easy access to both free and commercial information.

In addition to the enhanced accessibility of our ‘world of valuable information’ we also anticipate significant advertising revenue. The new site will be launched early in the 2004/2005 year.

Our certification to quality management system ISO 9001:2000 was maintained with no instances of non-compliance. We also maintained our CAA Rule part 174 certification.

INTERNATIONAL RELATIONS

We maintained our active level of participation in the programmes of the World Meteorological Organization. Steve Ready continued as Chairman of our region's Tropical Cyclone Committee, Neil Gordon led the Commission for Aeronautical Meteorology, and John Lumsden, in addition to his role as Permanent Representative of New Zealand with WMO, served as an elected member of its Executive Council.

In December we were visited by a team from the UK Met Office, led by its Chief Executive, and discussed collaboration including the projects undertaken by MetService using the UKMO Pacific Fund that we administer.

In January we hosted a visit by a team from the University Corporation for Atmospheric Research (UCAR) led by its President. The topic of discussion was modelling, including assimilation of GPS radio occultation data. This promises to be a valuable way of improving accuracy, and we expect to be involved in an evaluation in the 2005/2006 year.

CLOSE TO HOME

MetService enjoys excellent relationships with regulatory, research, academic, emergency management, and air traffic organisations, as well as with the Ministry of Transport. During the year we consulted with the Maritime Safety Authority, Regional and District Councils, Transit NZ, and the Ministry of Civil Defence and Emergency Management concerning the application of recently developed forecasting capabilities, and reached agreement with the Ministry of Transport to incorporate them in the contract for services for the public good. We collaborated with the Civil Aviation Authority on the issue of improving the general aviation safety record; had the support of the Institute of Geological and Nuclear Sciences and Airways Corporation in the operation of the Volcanic Ash Advisory Service; and provided information and support to the National Institute of Water and Atmospheric Research (NIWA). John Lumsden, as Permanent Representative of New Zealand with WMO, supported the participation of NIWA and other members of the New Zealand meteorological community in the programmes of WMO. MetService appreciates the particular help that NIWA has provided in matters concerning satellite imagery.

FROM OUR FORECASTING ROOM TO THE LIVING ROOM – WEATHERSCAPE XT HAS REVOLUTIONISED TV WEATHER PRESENTATION.

PEOPLE

MetService success is primarily due to the inspired contribution of the people who work here, and on behalf of Directors and Senior Managers we thank our long serving employees as well as those who have joined recently. At year-end we had 179 employees, up from 167 the previous year.

In order to meet the demands of additional forecasting business, and to cater for retirements, we are recruiting for forecasters for a course to be run in 2005. We will also continue the training of the current group of seven aspiring meteorologists.

CUSTOMERS, SUPPLIERS AND PARTNERS

We wish to thank all our customers, in New Zealand and internationally, who have chosen us as their supplier. Also we recognise and thank our own suppliers, who have supported the company's requirements so well during the past year. We have partnerships in the marketplace and benefit from the teamwork. We value our relationships and the positive interactions that prevail.

GOVERNANCE

The owners initiated a Long Term Hold Strategic Review of MetService, which noted the Company's robust performance over its life. They endorsed the strategy of continuing to explore offshore business opportunities, based on our strong core competencies of weather forecasting and information presentation services. The review triggered the update of the core business definition to more appropriately reflect the existing business structure.

There were no changes to the composition of the Board during the year, and Margo Buchanan-Oliver was re-appointed for a further term as Deputy Chair. The Board now has three Committees: Risk and Compliance; Finance and Audit; and a Committee to progress strategic issues, which addressed matters including approval of the BBC Contract, the review of the MoT Contract, and the Long Term Hold Review.

OUTLOOK

We look forward to continuing the development of our services for the energy and television markets, bringing into routine production the new public good services contracted by the Ministry of Transport, and to improving regional meteorological data capacity through observing facility upgrades. The management of the company has been extremely stable over the years and succession now needs to be addressed with care so that the Company's capacity for profitability and innovation is sustained.

Dr Francis Small
Chairman

John Lumsden
Chief Executive

HENRY HILL AWARD

Bruce Hartley

Like the late Henry Hill, Bruce is an enthusiast, passionate about his work and committed to excellence and customer satisfaction. He is great to work with, combining seriousness and determination with a sense of fun.

Bruce is a mentor. He inspires and challenges less experienced staff, just as Henry was known to.

Bruce is a highly skilled and qualified systems engineer. He has a down to earth and non-judgemental approach, but does have high standards and encourages his colleagues to share his enthusiasm for knowledge and achievement.

He is an excellent leader and works collaboratively with everyone he works with, pooling learning and skills to attain the best possible solutions for operations and customers.

While Bruce has a different field of expertise to Henry Hill they share the passion for continually improving our weather forecasts. Henry's achievements manifested themselves in manual forecast room processes, while Bruce is dedicated to providing forecasters with reliable, affordable, high-quality data.

Bruce's enthusiasm and approach have earned him a place in the distinguished ranks of the Henry Hill award recipients.

NOTABLE ACHIEVERS

Stephen Harris, Rod Stainer, James Travers, Kevin Alder, Jeremy Lumley, Jeff Downs, Sarah Garlick

Towards the end of 2003 MetService undertook a major refurbishment of the forecast operations area at the Kelburn headquarters. It had been eight years since the last refurbishment, which in terms of 24-hour by 7-day-a-week operations equates to 24 years of wear in the average office environment.

The team contributed in a variety of ways to the overall success of the project:

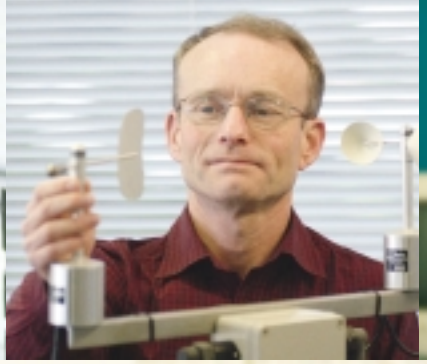
Stephen, Rod, James, and Kevin determined the key areas for refurbishment, undertook project planning, obtained management and board approval and designed the new layout.

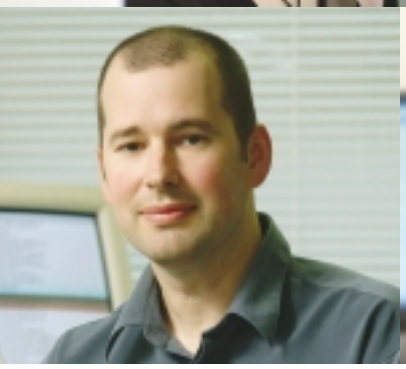
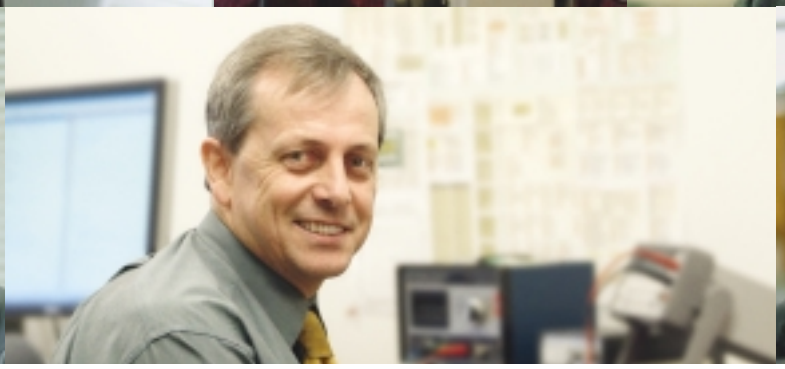
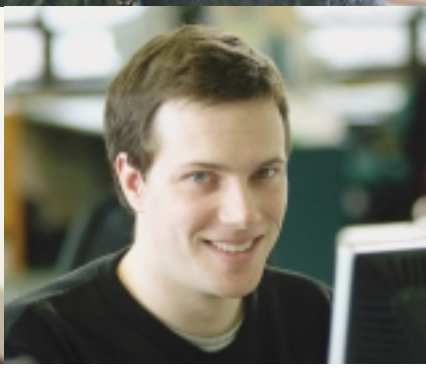
One of the most significant aspects of the refurbishment was the work required on the communications infrastructure. This included establishing temporary forecasting facilities and a complete upgrade to the cabling in the refurbished forecast operations area. Kevin and Jeff worked closely with contractors to ensure that the work was completed seamlessly.

Jeremy took overall responsibility for the project management, liaising with all parties involved in the refurbishment to ensure that outcomes matched expectations. He also undertook preliminary work with air conditioning contractors to determine the best climate control solution.

Sarah took a lead role in planning the shift to the temporary forecasting area and ensured that there was a minimal impact on operations.

It is a tribute to all those involved that the project progressed so smoothly and created no major disruptions to the forecasting operation. Thanks to this team's efforts MetService now has a world class forecast operations area.

Keith Bauer, Emma Peace, Greg Pearson

In 2003, Saudi TV licensed a Weatherscape XT system for launch on 1 January 2004. The system was to be installed by Saudi TV personnel after a visit to New Zealand in mid-December for training and familiarisation with the system. During the Christmas and New Year period Keith and Emma provided vital assistance to Saudi TV personnel who were installing the software and setting up the weather shows. They also exhibited their commitment for the project by undertaking some support work in the early hours of the morning.

During the training and familiarisation visit it became apparent that Saudi TV would need additional data to ensure that they could get the best utilisation of the system. Greg ensured that a fully tested operational CHAMP mesoscale model run was developed and available to be implemented prior to Christmas. This required Greg to work long hours during the week and weekend prior to Christmas. Without this effort the customer would have been unable to go to air on 1 January 2004.

Bruce Hartley, Murray Douglas, Paul Harris, Gordon Saggers

To meet the growing demand for a low-cost, good-quality data acquisition system MetService staff developed the mSTAR automatic weather station. mSTAR is a single board processor that can use solar power and GPRS communications, which makes it ideal for remote and isolated locations.

Murray's considerable experience in designing and building compact, low-cost data loggers for monitoring wildlife combined with Bruce's and Paul's extensive MetService data acquisition experience contributed significantly to the success of the project.

The first implementation of the system was designed to replace the Coastguard Northern Region's ageing Hauraki Gulf Nowcasting network. Gordon took the prototype mSTAR and constructed and tested operational systems for installation in the Hauraki Gulf. Many of the installations are at very isolated locations – some requiring access by helicopter.

Since this initial installation, mSTAR systems have been installed in Napier, New Plymouth, and Lyttelton.

Above from top left:
Emma Peace, Paul Harris, Gordon Saggers, Greg Pearson, Murray Douglas, Keith Bauer.

Opposite page from top left:
James Travers, Sarah Garlick, Stephen Harris, Bruce Hartley, Rod Stainer, Kevin Alder, Jeff Downs.

Above from left
MetService Directors:

Thomas Jamison
Shale Chambers
Dr Margo Buchanan-Oliver (Deputy Chair)
Dr Francis Small (Chairman)
John Hercus
Dr Graham Hill
Wendy London

Opposite page from left
MetService Executive Team:

Weatherscape Director,
Marco Overdale
overdale@metservice.com

General Manager,
Information Presentation Services
David Knott
knott@metservice.com

General Manager,
National Weather Services
and Chief Meteorologist
Dr Neil Gordon
gordon@metservice.com

Chief Financial Officer
and Company Secretary
Ian McEwan
mcewan@metservice.com

Chief Executive
John Lumsden
lumsden@metservice.com

General Manager,
Aviation Services
Keith Mackersy
mackersy@metservice.com

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 2004.

BUSINESS ACTIVITIES

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

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

	2004	2003
RESULTS OF OPERATIONS	$000	$000
Net Surplus attributable to Shareholders	2,900	2,680
Interim Dividends Paid	(700)	(818)
Final Dividend Paid	(791)	(1,780)
Retained Earnings at beginning of the year	3,816	3,734
Retained Earnings at end of the year	$5,225	$3,816

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. PricewaterhouseCoopers audit 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 $24,000 ($24,000 2003) and – Other Services $24,280 ($21,000 2003), and Metra Information Limited – Audit $3,500 ($3,500 2003).

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:

$000s	Number
100 -109	6
110 -119	2
120 -129	1
130 -139	1
150 -159	2
180 -189	2
320 -329	1

DIRECTORS

In accordance with the Constitution of the Company, directors are appointed by shareholding Ministers. There were no changes of directors during the year.

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):

A F Small	38,000
M Buchanan-Oliver	23,750
J Hercus	21,500
T Jamison	23,250
W London	23,250
G Hill	21,500
S Chambers	21,500
Total Directors' Remuneration	$172,750

DIRECTORS' INTERESTS

Interests Register

Francis Small:
Council Member Standards New Zealand, Director Antarctica New Zealand Ltd, Chairman Centre for Advanced Engineering, Chairman Meridian Energy, Shareholder/Director Murray King & Francis Small Consultancy.

Shale Chambers:
Deputy Chairman Auckland Energy Consumer Trust.

Thomas Jamison:
Director Sustema Consulting.

Wendy London:
Director TenderLink.com.

John Hercus:
Director NIWA,
Commissioner
New Zealand Fire Service Commission.

Graham Hill:
Director NIWA.

Margo Buchanan-Oliver:
Director Vector.

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.

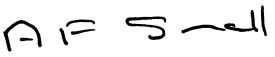
DONATIONS

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 17 August 2004.



Dr Francis Small
Chairman

Thomas Jamison
Director

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

STATEMENT OF FINANCIAL PERFORMANCE	Note	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
REVENUE					
Operating Revenue		26,269	24,132	24,375	23,448
Total Revenue		26,269	24,132	24,375	23,448
OPERATING EXPENSES					
Audit Fees		28	28	24	24
Fees for Other Services provided by Auditor		24	21	24	21
Costs of Operating Leases and Renting Items		140	125	140	125
Directors' Fees		173	157	173	157
Loss (Gain) on Sale of Fixed Assets		23	(6)	23	(6)
Bad Debts written off		20	16	20	16
Software Development Expenditure		129	19	51	17
Depreciation – Buildings		49	11	49	11
Depreciation – Computer Equipment		2,245	1,581	2,095	1,541
Depreciation – Furniture and Fittings		40	46	39	46
Depreciation – Buildings on Leasehold Land		23	60	23	60
Depreciation – Meteorological Equipment		260	266	260	266
Depreciation – Motor Vehicles		29	23	29	23
Depreciation – Office Equipment		19	18	18	18
Depreciation – Plant and Equipment		38	37	38	37
Net Finance Expense	5	2	46	6	52
Other Operating Expenses		18,723	17,671	17,715	17,127
Total Operating Expenses		21,965	20,119	20,727	19,535
Surplus before Taxation		4,304	4,013	3,648	3,913
Taxation Expense	3	(1,404)	(1,333)	(1,210)	(1,300)
NET SURPLUS		$2,900	$2,680	$2,438	$2,613

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

STATEMENT OF FINANCIAL POSITION	Note	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
EQUITY					
Capital	7	5,000	5,000	5,000	5,000
Retained Earnings	14	5,225	3,816	4,808	3,861
Total Equity		10,225	8,816	9,808	8,861
LIABILITIES					
Accounts Payable and Accruals	10	3,809	2,886	3,330	2,801
Provisions	19	401	398	401	398
Directors' Fees Payable		46	35	46	35
Borrowing		–	180	–	180
Income Taxation Payable		(181)	(209)	(171)	(239)
Total Current Liabilities		4,075	3,290	3,606	3,175
Loan	13	1,000	1,000	1,000	1,000
Total Non Current Liabilities		1,000	1,000	1,000	1,000
TOTAL LIABILITIES AND EQUITY		$15,300	$13,106	$14,414	$13,036
ASSETS					
Cash on Hand at Bank		191	337	41	47
Accounts Receivable – Trade		2,695	2,292	2,180	2,127
Accounts Receivable – Other		717	779	674	449
Amounts Owing from Subsidiary	16	–	–	466	786
Deposits		2,390	–	2,390	–
Inventories		366	588	366	588
Total Current Assets		6,359	3,996	6,117	3,997
Deferred Taxation	3	484	460	501	463
Fixed Assets	4	8,457	8,650	7,796	8,576
Total Non Current Assets		8,941	9,110	8,297	9,039
TOTAL ASSETS		$15,300	$13,106	$14,414	$13,036

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED STATEMENT OF MOVEMENTS IN EQUITY AND STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2004

	Note	Group 2004	Group 2003	Parent 2004	Parent 2003
STATEMENT OF MOVEMENTS IN EQUITY		$000	$000	$000	$000
EQUITY AS AT 1 JULY		8,816	8,734	8,861	8,846
Net Surplus		2,900	2,680	2,438	2,613
Total Recognised Revenues and Expenses		2,900	2,680	2,438	2,613
DIVIDENDS PAYABLE IN CASH					
Interim Dividends	18	(700)	(818)	(700)	(818)
Final Dividend	18	(791)	(1,780)	(791)	(1,780)
Total Dividends		(1,491)	(2,598)	(1,491)	(2,598)
Movement in Equity for the Year		1,409	82	947	15
EQUITY AS AT 30 JUNE		$10,225	$8,816	$9,808	$8,861
STATEMENT OF CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was Provided from: Receipts from Customers		26,470	23,980	24,597	23,364
Interest Received		68	46	64	35
Cash was Applied to: Payments to Suppliers and Employees		(18,625)	(18,084)	(17,562)	(17,558)
Interest Paid		(70)	(86)	(70)	(86)
Income Taxation Paid		(1,395)	(1,614)	(1,180)	(1,628)
Net Cash Inflows from Operating Activities	6	6,448	4,242	5,849	4,127
CASH FLOW FROM INVESTING ACTIVITIES					
Cash was Provided from: Proceeds from Liquidated Deposits		–	1,220	–	1,220
Proceeds from Borrowings		–	180	–	180
Proceeds from the Sale of Fixed Assets		9	–	4	–
Cash was Applied to: Repayment of Borrowings		(180)	–	(180)	–
Investment in Deposits		(2,390)	–	(2,390)	–
Purchase of Fixed Assets		(2,542)	(2,965)	(1,798)	(2,937)
Net Cash Outflows from Investing Activities		(5,103)	(1,565)	(4,364)	(1,537)
CASH FLOW FROM FINANCING ACTIVITIES					
Cash was Applied to: Dividends		(1,491)	(2,598)	(1,491)	(2,598)
Net Cash Outflows from Financing Activities		(1,491)	(2,598)	(1,491)	(2,598)
Net (Decrease) Increase in Cash Held		(146)	79	(6)	(8)
Add Opening Cash brought forward		337	258	47	55
ENDING CASH CARRIED FORWARD		$191	$337	$41	$47

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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 prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State Owned Enterprises Act 1986.

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.

Revenue: Revenue shown in the Statement of Financial Performance comprises the amounts received or receivable for goods and services supplied to customers in the ordinary course of business.

Accounts Receivable: Accounts receivable are carried 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 in which they are identified.

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.

Fixed Assets: 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 their intended service. The cost of self constructed assets includes the cost of all materials used in construction, direct labour on the project and an appropriate portion of variable and fixed overheads.

Distinction between Capital and 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. Computer software, either purchased or developed by the Company for its own use, is capitalised in the year in which the expenditure is incurred.

Expenditure which restores an asset to its original condition and all expenditure incurred on maintenance and operating the Company is expensed in the period in which it is incurred.

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 is depreciated over the life of the lease. The cost of improvements to leasehold property are 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	33.3%
Computer Software	33.3%
Furniture & Fittings	20.0%
Leasehold Property	3.1%
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.

Research and Development: Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as assets when it is probable that the project will be a success considering its commercial and technological feasibility.

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 comprehensive basis. A deferred taxation benefit relating to any taxation losses is only recognised if there is virtual certainty of realisation.

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 periods the amounts are payable.

Foreign Currencies: Transactions denominated in foreign currency are converted to New Zealand dollars 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.

Financial Instruments: Financial instruments carried on the Statement of Financial Position include cash and bank balances, accounts receivable, accounts payable and borrowings. These financial instruments are recognised at the lower of cost or net realisable value. 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, with any reduction, gain or loss recognised in the Statement of Financial Performance.

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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.

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.

Impairment: Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than the carrying amount, the asset is written down. The impairment loss is recognised in the Statement of Financial Performance.

Principles of Consolidation: The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 2004 using the purchase method.

The results of any subsidiary acquired or disposed of during the year are included in the Statement of Financial Performance from/to the date of acquisition or disposal.

All significant transactions between Group companies are eliminated on consolidation.

When a member of the Group participates in a joint venture arrangement, that member recognises its proportionate interest in the individual assets, liabilities and expenses of the joint venture. The liabilities recognised include its share of those for which it is jointly liable.

Comparatives: Some comparative figures have been reclassified for comparative purposes and to assist the reader of the financial statements.

Changes in Accounting Policies: Accounting policies have been applied on a basis consistent with the previous year.

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.

3 TAXATION EXPENSE

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
SURPLUS BEFORE TAX	4,304	4,013	3,648	3,913
Prima Facie Taxation thereon at 33 per cent	1,420	1,324	1,204	1,291
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	7	5	6	5
Prior Year Adjustment	(23)	4	–	4
Taxation Expense	$1,404	$1,333	$1,210	$1,300
Current Taxation	1,428	1,359	1,248	1,331
Deferred Taxation	(24)	(26)	(38)	(31)
Taxation Expense	$1,404	$1,333	$1,210	$1,300
Future Income Taxation Benefit				
Future Income Taxation Benefit as at 1 July	460	434	463	432
On Surplus for the Year	24	26	38	31
Future Income Taxation Benefit as at 30 June	$484	$460	$501	$463
Imputation Credit Account				
Imputation Credit Account as at 1 July	2,012	1,760	2,012	1,760
Income Taxation Paid during the Year (net of tax refunds)	1,383	1,531	1,181	1,531
Imputation Credits attached to Dividends Paid during the Year	(734)	(1,279)	(734)	(1,279)
Imputation Credit Account as at 30 June	$2,661	$2,012	$2,459	$2,012

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

4 FIXED ASSETS		Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
LAND	Cost	118	118	118	118
	Accumulated Depreciation	–	–	–	–
	Book Value	118	118	118	118
LAND – LEASEHOLD	Cost	447	447	447	447
	Accumulated Depreciation	(269)	(246)	(269)	(246)
	Book Value	178	201	178	201
BUILDINGS	Cost	470	435	470	435
	Accumulated Depreciation	(106)	(95)	(106)	(95)
	Book Value	364	340	364	340
BUILDINGS ON LEASEHOLD LAND	Cost	1,560	1,531	1,560	1,531
	Accumulated Depreciation	(491)	(453)	(491)	(453)
	Book Value	1,069	1,078	1,069	1,078
FURNITURE AND FITTINGS	Cost	656	565	655	564
	Accumulated Depreciation	(506)	(471)	(505)	(470)
	Book Value	150	94	150	94
COMPUTER EQUIPMENT	Cost	13,393	10,336	12,480	10,156
	Accumulated Depreciation	(9,143)	(8,158)	(8,882)	(8,048)
	Book Value	4,250	2,178	3,598	2,108
METEOROLOGICAL EQUIPMENT	Cost	6,940	6,834	6,940	6,834
	Accumulated Depreciation	(5,961)	(5,729)	(5,961)	(5,729)
	Book Value	979	1,105	979	1,105
MOTOR VEHICLES	Cost	219	163	219	163
	Accumulated Depreciation	(120)	(98)	(120)	(98)
	Book Value	99	65	99	65
OFFICE EQUIPMENT	Cost	185	217	183	216
	Accumulated Depreciation	(145)	(173)	(145)	(173)
	Book Value	40	44	38	43
PLANT AND EQUIPMENT	Cost	516	478	515	478
	Accumulated Depreciation	(309)	(282)	(309)	(282)
	Book Value	207	196	206	196
CAPITAL WORK IN PROGRESS	Internally Developed Software (Note 12)	783	1,290	783	1,290
	External Purchased Software and Equipment	220	1,941	214	1,938
NET TOTAL BOOK VALUE		$8,457	$8,650	$7,796	$8,576

The aggregate of the latest Government Valuations (ranging from 1997 to 2004) of Land is $185,000, Buildings is $405,000, and Buildings on Leased Land is $2,612,000.

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

5 NET FINANCE EXPENSE	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Interest Revenue	(68)	(40)	(64)	(34)
Interest Expense	70	86	70	86
Net Finance Expense	$2	$46	$6	$52

6 RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES				
NET SURPLUS	2,900	2,680	2,438	2,613
Non Cash Items				
Loss (Gain) on Disposal of Fixed Assets	23	(6)	23	(6)
Depreciation	2,703	2,042	2,551	2,002
Movement in Deferred Taxation	(24)	(26)	(38)	(31)
Total Non Cash Items	2,702	2,010	2,536	1,965
Movements in Working Capital				
(Increase) Decrease in Receivables	(341)	(14)	42	46
Increase (Decrease) in Accounts Payable and Accruals	937	(23)	543	(44)
Decrease (Increase) in Income Taxation	28	(257)	68	(299)
Decrease (Increase) in Inventories	222	(155)	222	(155)
Total Movement in Working Capital	846	(449)	875	(452)
NET CASH FLOW FROM OPERATING ACTIVITIES	$6,448	$4,241	$5,849	$4,126

7 CAPITAL				
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 2004 there were 5,000,000 shares issued and fully paid (2003: 5,000,000). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

8 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Meteorological Service of New Zealand Limited has no contingent liabilities (2003: $nil) or capital commitments outstanding at the balance date not provided for (2003: $nil) as at 30 June 2004.

9 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 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

10 ACCOUNTS PAYABLE AND ACCRUALS

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Sundry Creditors and Accruals	1,478	1,282	1,196	1,271
Accounts Payable, including PAYE and GST	766	560	781	568
Employee Entitlements	1,023	840	1,023	840
Income in Advance	542	204	330	122
TOTAL ACCOUNTS PAYABLE AND ACCRUALS	$3,809	$2,886	$3,330	$2,801

11 LEASE COMMITMENTS

Non-Cancellable Operating Lease Commitments are:

0-1 Year	114	116	114	116
1-2 Years	95	102	95	102
2-5 Years	195	214	195	214
5 Years and Over	72	95	72	95
	$476	$527	$476	$527

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.

12 SOFTWARE DEVELOPMENT COSTS

Incomplete Software Projects as at 1 July	1,290	569	1,290	569
Software Development Costs Incurred During the Year	1,700	1,322	1,700	1,322
Cost of Software Sold to External Parties or Written Off	(150)	(30)	(150)	(30)
Software Development Costs Capitalised to Fixed Assets	(2,057)	(571)	(2,057)	(571)
INCOMPLETE SOFTWARE PROJECTS AS AT 30 JUNE	$783	$1,290	$783	$1,290

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

13 LOAN

UNSECURED BANK LOAN	$1,000	$1,000	$1,000	$1,000

On 30 June 1998, Meteorological Service of New Zealand Limited entered into a term loan agreement with the Westpac Banking Corporation. No security has been provided for this loan. The term loan matures on 31 December 2004. The Group intends extending the loan beyond this date. The interest rate is fixed to 31 December 2004 at 6.70% pa (2003: 6.85%).

14 RETAINED EARNINGS CARRIED FORWARD

Retained Earnings				
Retained Earnings brought forward	3,816	3,734	3,861	3,846
Operating Surplus for the Year	2,900	2,680	2,438	2,613
Dividends Paid during theYear	(1,491)	(2,598)	(1,491)	(2,598)
RETAINED EARNINGS CARRIED FORWARD	$5,225	$3,816	$4,808	$3,861

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

15 FINANCIAL INSTRUMENTS

	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000

A) NATURE OF ACTIVITIES AND MANAGEMENT POLICIES WITH RESPECT TO FINANCIAL INSTRUMENTS:

Forward Contract Agreements

At balance date the notional principal or contract amounts of outstanding foreign currency agreements were (NZD):

Forward Exchange Buy Contracts	$37	$67	$37	$67
Forward Exchange Sell Contracts	($282)	–	($282)	–

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's 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 Ministry 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 30 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: Forward Contract Agreements

At balance date the fair value of outstanding foreign currency agreements were (NZD):

Forward Exchange Buy Contracts	$38	$66	$38	$66
Forward Exchange Sell Contracts	($276)	–	($276)	–

There were no other differences between the fair value and the carrying amounts of financial instruments at 30 June 2004 (2003: $nil). Meteorological Service of New Zealand Limited has a money market facility of $1,000,000 available, of which it had drawn down $nil as at 30 June 2004 (2003: $nil).

16 RELATED PARTY TRANSACTIONS

During the year, Meteorological Service of New Zealand Limited provided certain meteorological services to the Ministry of Transport under a significant contract. Meteorological Service of New Zealand Limited also undertakes transactions with other State Enterprises and Government Entities. All the foregoing were carried out on a commercial and arm's length basis in the normal course of business.The Group develops computer software products, some of which were acquired by its subsidiary, Metra Information Limited. These acquisitions were made on normal commercial terms and amounted to $918,721 (2003: $4,568). A balance owed of $393,857 (2003: $4,568) was outstanding at the year end.

During the year the Group paid for expenses which accrued to Metra Information Limited, for goods and service with parties external to the Group, paid for by the Group and reimbursed from the subsidiary; these amounted to $730,616 (2003: $786,000). A balance owed of $71,693 (2003: $781,432) was outstanding at the year end.

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

17 INVESTMENT IN SUBSIDIARY / JOINT VENTURE

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 incorporated in New Zealand with a 30 June balance date. Metra Information Limited has a 50% participating interest in Weatherscape Technologies, a joint venture with Television New Zealand Limited, for the development and marketing of television weather graphical presentations overseas. The joint venture ceased operations during 2004. The joint venture accounts are unaudited.

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

17 CONTINUED INVESTMENT IN SUBSIDIARY / JOINT VENTURE	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
Financial Performance				
Revenue	21	52	–	–
Expenses	(43)	(87)	–	–
Net Contribution to Group Operating Surplus	($22)	($35)	–	–
Financial Position				
The Group's share of assets and liabilities, proportionately consolidated was:				
Current Assets	–	276	–	–
Current Liabilities	–	(296)	–	–
Net Assets Employed in the Joint Venture	–	($20)	–	–

18 DIVIDEND

Interim Dividends				
Interim Dividends relating to 2003	–	(818)	–	(818)
Interim Dividends relating to 2004	(700)	–	(700)	–
	(700)	(818)	(700)	(818)
Final Dividends				
Final Dividend relating to 2002	–	(1,780)	–	(1,780)
Final Dividend relating to 2003	(791)	–	(791)	–
	(791)	(1,780)	(791)	(1,780)
TOTAL DIVIDENDS PAID	($1,491)	($2,598)	($1,491)	($2,598)

Post Balance Date
Directors have proposed a final dividend of $1,040,000 (2003: $790,500), bringing the total dividend payment for the year to $1,740,000 (2003: $1,608,000).

19 PROVISIONS

Campbell Island Provision				
Opening Balance as at 1 July 2003	153	150	153	150
Movement in Provision	3	3	3	3
Closing Balance as at 30 June 2004	156	153	156	153
Termination Leave Provision				
Opening Balance as at 1 July 2003	245	168	245	168
Movement in Provision	–	77	–	77
Closing Balance as at 30 June 2004	245	245	245	245
TOTAL PROVISIONS AS AT 30 JUNE 2004	$401	$398	$401	$398

Campbell Island Provision: The Campbell Island provision is an estimate of the cost (in today's dollars) of removing the surplus buildings from Campbell Island at the expiry of the licence to occupy.

Termination Leave Provision: The termination leave provision is an actuarial assessment of the accrued termination leave liabilities for current employees of Meteorological Service of New Zealand Limited. Only those employees with 10 years service when the scheme closed are eligible for the benefit.

Audit Report

To the readers of Meteorological Service of New Zealand Limited's Financial Statements for the year ended 30 June 2004

The Auditor-General is the auditor of Meteorological Service Of New Zealand Limited (the Company) and Group. 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 2004.

Unqualified opinion

In our opinion:

- The financial statements of the Company and Group on pages 3 to 14:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the Company and Group's financial position as at 30 June 2004; and
    - the results of their operations and cash flows for the year ended on that date.
- Based on our examination the Company and Group kept proper accounting records.

The audit was completed on 17 August 2004, and is the date at which our opinion is expressed.

The basis of the 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 our 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 the opinion.

Our 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.

Audit Report
Meteorological Service of New Zealand Limited

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 the opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors are responsible for preparing and submitting for audit 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 2004. They must also give a true and fair view of the results of their operations and cash flows for the year ended on that date. This responsibility is specified in 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 is specified in section 15 of the Public Audit Act 2001.

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.

In addition to the audit we have carried out assignments in the areas of assurance and taxation advice, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company or Group.

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

PricewaterhouseCoopers

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of the Company and Group for the year ended 30 June 2004 included on the Company's web-site. The Company's Board of Directors is responsible for the maintenance and integrity of the Company's web site. We have not been engaged to report on the integrity of the Company's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 17 August 2004 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2004

KEY PERFORMANCE INDICATORS	Statement of Corporate Intent Target	Actual 2004	Actual 2003
Net Surplus attributable to Shareholders	$2,017,000	$2,900,000	$2,680,000
Net Surplus attributable to Shareholders : Average S/H Funds*	33.4%	30.9%	35.8%
EBIT : Total Tangible Assets	29.0%	29.1%	31.0%
Current Ratio*	1.25:1	1.24:1	0.98:1
Equity Ratio*	60.1%	60.0%	61.2%
Net Surplus attributable to Shareholders : Total Sales	11.0%	11.0%	11.1%
Accounting Value of Crown's Investment	$9,457,000	$10,225,000	$8,816,000
Probability of Detection (POD)	Minimum		
Heavy Rain	75%	93%	87%
Heavy Snow	75%	81%	84%
Severe Gales	75%	83%	83%
False Alarm Ratio (FAR)	Maximum		
Heavy Rain	40%	24%	23%
Heavy Snow	40%	9%	30%
Severe Gales	40%	28%	25%

* Calculation of ratios includes dividends declared post balance date (see Note 18) but not included in the Statement of Financial Position.

Quality Certification

Meteorological Service of New Zealand Limited retained full ISO 9001:2000 certification following a quality system audit during the year.
Meteorological Service of New Zealand Limited also retained Civil Aviation Rule Part 174 certification, again receiving re-certification during the year.

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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Our thanks to MetService staff for sharing their fantastic and diverse weather images – Allister Gorman, James Kirkus-Lamont, Peter Fisher and Marco Overdale.

Additional photography from
Lindsay Keats.

Design by emdesign.