We’re not here to talk about the weather

METSERVICE METRA

Annual Report 2011

We're here to talk about...

Dodging ash

Ordering tru ice cream

Making our

Backing our in black

clouds [02]

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roads safer [06]

boys

We're here to talk about...

Dodging ash clouds

When Chile's Puyehue volcano belched ash into our airspace in June and July, MetService's robust monitoring enabled Air New Zealand to keep flying safely.

MetService had just 36 hours warning that the ash was heading our way. The southern Andean mountain erupted with the power of 70 atomic bombs, expelling one hundred million tonnes of ash, sand and pumice stone into the atmosphere. Wind blew the cloud eastwards where it shut down most of South America's air traffic before drifting across the southern oceans towards Australia and New Zealand. MetService models that predict the dispersal of volcanic ash were configured for local eruptions; ash from half a hemisphere away was new.

MetService immediately made contact with the airlines, Civil Aviation Authority (CAA) and Airways. Two forecasters worked extra shifts to bolster our 12-strong aviation forecasting unit, which doubles as one of the world's nine Volcanic Ash Advisory Centres (VAAC). They kept in close contact with their colleagues in Darwin VAAC and marshalled data from weather models, satellites and ceilometers that shoot lasers skyward to detect atmospheric particles.

Pilot observation was helpful too. However, calls from the flight deck became scarcer as international flights were cancelled. What some pilots initially thought was volcanic ash turned out to be haze.

MetService collated and verified every scrap of information about the ash cloud according to clear protocols. For more than a month, we issued advisories and SIGMETs (the equivalent of severe weather warnings) to CAA and the airlines.

With the ash cloud verified at 30,000ft, Air New Zealand flew under it and re-routed some flights, absorbing the extra fuel costs. No planes encountered the ash cloud and there were no safety incidents. When we predicted the ash would drift down to 10,000ft over the South Island, the airline grounded a handful of domestic flights, its only cancellations.

When the skies eventually cleared, CAA thanked MetService for "excellent and rapid support" in observing and validating the ash and keeping the aviation industry informed. "Forecasters handled this event in a thoroughly professional and timely manner," said Keith Mackersy, CAA's Technical Consultant, Meteorology. New Zealand's flying public were the winners.

We're here to talk about...

Ordering truckloads of ice cream

UK supermarket chain Sainsbury's cashed in on a sunny start to spring this year with a heads-up from Weather Commerce – a subsidiary of MetService's international arm, Metra.

The retail giant's profit margins depend on juggling 30,000 product lines across 934 stores. In winter, long-life items such as woolly scarves, cat litter, tinned soups and red wine gain valuable shelf space, along with perishables such as warming puddings and root veges for stews and roasts. In summer, these make way for white wine, beer, salad greens and ice cream.

A decade ago, ten percent of perishable products were written off as waste. Now, with more sophisticated customer demand prediction, it's just one percent.

"We spotted the signal for the first warm weekend nine days out and nailed it," says Tony Ramsay, Weather Commerce General Manager. "So long as it's sunny, people will crawl out of their winter hibernation, and barbecue and picnic related sales will soar."

Weather Commerce works with six major supermarket chains in the UK plus 20 smaller companies across retail, the energy sector and the media. Services range from nationwide weather projections six months ahead, to local five-day forecasts that pinpoint areas by post code and are updated four times a day.

Tony heads a team of ten meteorologists who often phone customers to explain the data, clarify weather fluctuations and offer advice.

"Temperature is the key driver, but it's not the only one," Tony says. "Ice cream sales go through the roof over a long warm period. Mum buys multipacks, but when there's a sudden increase in temperature, last minute buys of single ice creams kick in."

April 2010 was the UK's warmest on record and retail sales jumped 1.1 percent – the biggest hike in nine years. With the UK grocery market worth over £150 billion annually, it certainly pays to know what's in store weather-wise.

We're here to talk about...

Making our roads safer

In the last three years, MetService and the NZ Transport Agency (NZTA) have installed 42 solar-powered, automatic weather stations along the Desert Road, on roadsides through South Island high country and other difficult routes.

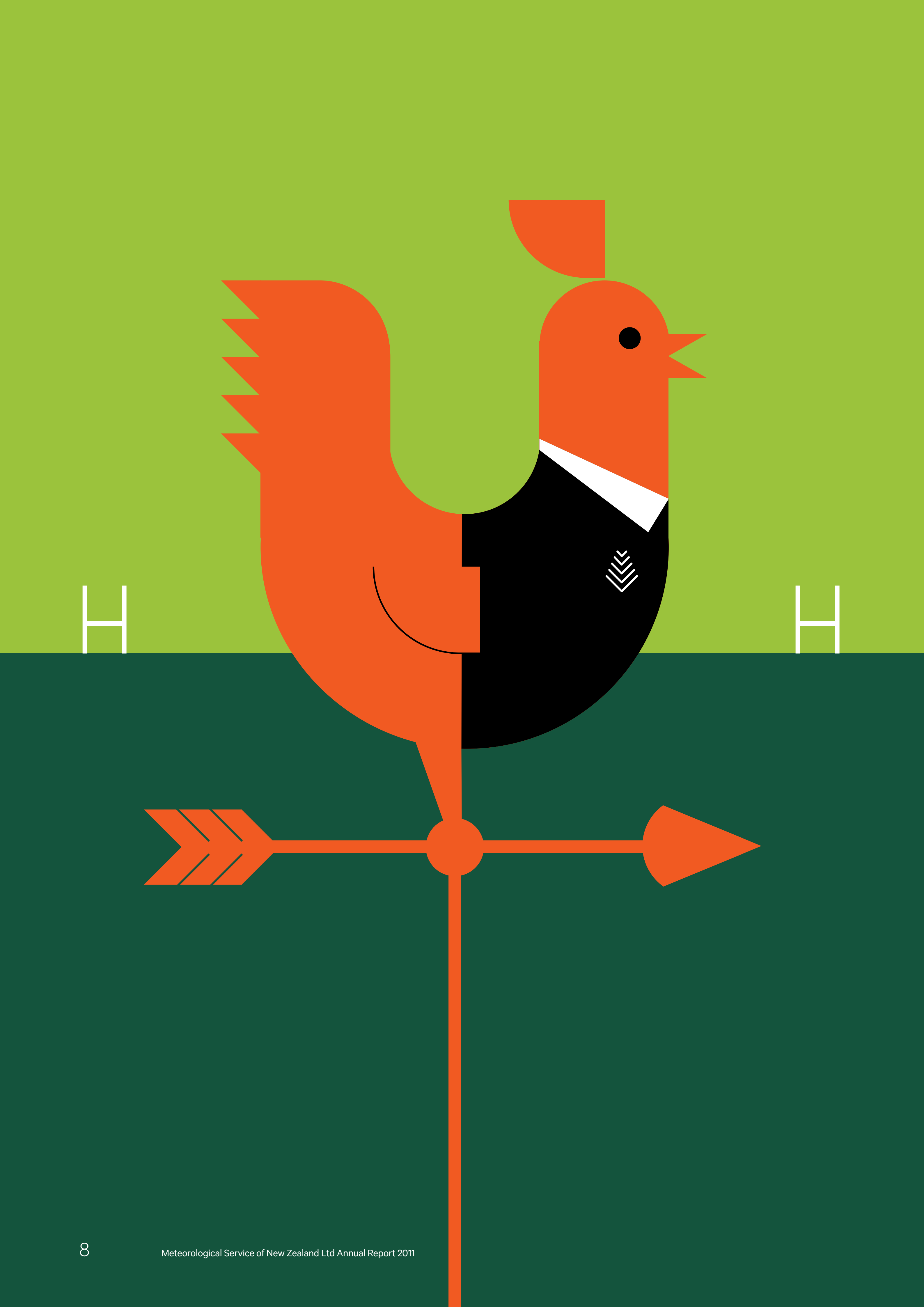
Completed in November 2010, the network has been recognised as the most outstanding example of road safety innovation in New Zealand by the Institution of Professional Engineers. While it is difficult to isolate the network's effect on road safety, 54 fewer people died in road accidents in the first eight months of 2011 than in the same period last year. That's a drop of 24 percent. MetService is proud to be part of anything that helps save lives.

Roadside weather stations are used widely overseas however, MetService's Paraparaumu workshop built the masts and cabinets here for less than half the price of an imported kit. The electronic brain powering the stations and the web platform that delivers forecasts are also MetService innovations.

Each station is linked to sensors that feed back real-time data on wind speed and direction, rainfall, temperature, humidity and the state of road surfaces. Stations send this information electronically back to base where it is incorporated into thermal profiles for each area and delivered as thermal forecast maps to roading contractors via the web and text messaging.

Snow and ice are significant road hazards. Before the stations were installed, decisions to close or treat roads relied heavily on ad-hoc observation and experience. Now contractors can accurately assess which parts of the road will freeze, and whether to use grit to stop motorists skidding or more expensive ice inhibitors that are efficient and environmentally friendly but wash away in the rain.

The stations have other uses too, such as monitoring gale force winds on Auckland's Harbour Bridge and Wellington's Aotea Quay. All this is good news for motorists, making our roads safer and journeys less likely to be disrupted.



We're here to talk about...

Backing our boys in black

The final touches to four years' planning and strategising by the All Blacks management hang on our last-minute weather briefings.

Wind direction and strength affects which way the team opts to play if they win the toss, and shapes the kicking game: soaring spiral kicks with the wind, short flat kicks into it. Rain demands longer boot sprigs to handle the greasy conditions.

MetService has teamed up with the New Zealand Rugby Union to help the All Blacks in their bid for World Cup glory. Our official partnership includes tailored written forecasts and daily phone calls to All Black management in the lead-up to each game. That's on top of daily conference calls and access to MetConnect, a commercial and secure internet weather service available to all the teams and tournament organisers.

July 2011's rugby test against South Africa in Wellington was a perfect trial run. MetService briefed the All Blacks about a biting southerly that would roar in during the game. Coaches tweaked their tactics and the home team won 40-7 (although we can't take 'full credit' for that)!

Checks on our 2010 weather records to see what might be in store this spring, highlighted what a challenge the team could be facing. Last September and October, 116 severe weather warnings were issued around New Zealand. A Southland snowfall collapsed a new stadium roof, a tornado ripped through Taranaki, a Wellington thunderstorm cut power across the lower North Island, Otago gales brought down power lines and upended vehicles, snow closed the Desert Road and in Christchurch it got so cold a Ranfurly Shield parade was cancelled.

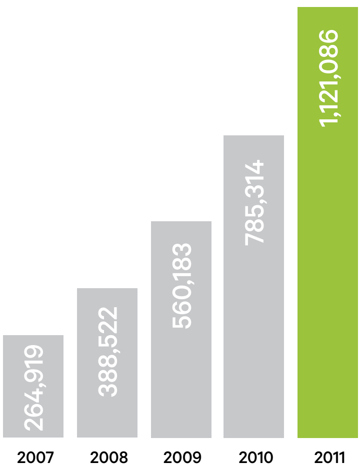
In the same period, 139 lightning strikes were recorded within a 20km radius of New Zealand's major rugby venues. One lightning strike could plunge the team into darkness. Then again, one loss could have the same effect on the whole country!

We can't change the weather but hopefully we can have some influence on the outcome for our team on 23 October.

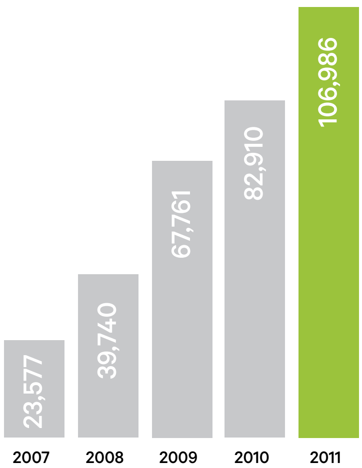
Our work influences more than 'water cooler' and 'taxi driver' conversations. It impacts on almost every aspect of daily life.

MetService is a global leader in the provision of weather information services that contribute to the well-being of millions of people around the world and help create wealth for our customers.

Annual increase in monthly visitors



Average daily visitors to metservice.com



453% increase in average daily visitors to metservice.com over the past 5 years

Source: Nielsen Market Intelligence

We are New Zealand's weather authority and operate as a commercially successful, international organisation with over 200 employees in New Zealand, Australia, Asia and Europe. Branded locally as MetService and internationally as Metra, we are sustained by the expertise and research of world class scientists and technologists.

What we stand for

MetService proudly encompasses quality, integrity, innovation, passion, growth and an environment where people enjoy working. Our dedicated professionals want to make a difference by providing individuals and organisations with innovative products and services. To do this, we employ talented people from all over the world to bring professional meteorological judgement, technologically advanced processes, quality management and creativity to our customers.

New ventures are guided by their needs and our desire to provide ground-breaking solutions. That is why we operate around the clock domestically and globally, 365 days a year.

What we do

MetService provides a commercial benefit throughout the business spectrum, from small local businesses to large international organisations, in major market sectors such as energy, media, transport and retail. At the same time, our national weather services enhance public safety for outdoor activities.

Our services assist:

- civil defence authorities to stay up-to-date in times of severe weather
- transport authorities and airlines to keep our roads safe and planes flying
- farmers to plan when to plant and harvest crops and move stock to shelter
- TV broadcasters to produce accurate and visually stunning weather presentations
- retailers to plan stock levels and logistics ahead of consumer demand
- regional councils to manage their water resources
- fishermen, boaties, water sport enthusiasts and divers to stay safe in our harbours, rivers and seas
- energy providers to ensure heat, light and air conditioning is available to homes and businesses, no matter what the season
- energy traders to take stronger positions ahead of the market
- reporters to bring you the latest weather news as it happens
- all of us to plan our weekend and holiday activities.

25% of New Zealand iPads have the metservice.com app as at end of June 2011

Chairman's & CEO's report
Performance overview

We are pleased to report another successful year for MetService during 2010/11, in an environment that has been stormy – both financially and climatically.

MetService Group revenue increased to $39.2 million, up from $37.9 million last year, driven by:

- Aviation sales
- Weatherscape
- Road and traffic management
- Energy sales, and
- Internet sales.

Aviation sales hold firm in spite of ash

MetService continued to work closely with the aviation industry during a year that ended with major flight disruptions due to volcanic ash. Three new international clients were added to our client base and in spite of the ash, regional and domestic aviation markets improved in the lead-up to the Rugby World Cup. Ongoing improvements to existing products continue to pave the way for future opportunities.

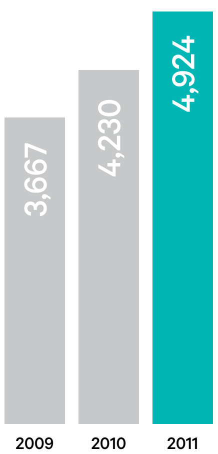
Weatherscape expands into Asia

Through our international subsidiary Metra, the Company continued its growth in worldwide sales of graphical presentation systems for media companies. Expansion into the Asian market has occurred on the back of strong partnerships with a well-established New Zealand, Australian and European client base. Almost every New Zealander and Australian is viewing TV weather bulletins built on and delivered through our Weatherscape system. In New Zealand, the weather presenters are often briefed directly by MetService advisors.

Road and traffic management a major focus

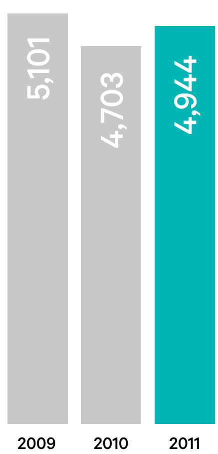
As MetService's infrastructure upgrade programme continues, our improved weather observations are driving new opportunities for revenue and public benefit. Weather information to assist road and traffic management has been a major focus for this year. The completion of the national network of automatic roadside weather stations was in time for winter and prior to the greater traffic flows expected during the Rugby World Cup.

Depreciation ($000)



EBITDA ($000)

Operating profit ($000)



Book value of assets ($000)

Energy sales
Metra's relationships within Australia's energy industry continue to go from strength to strength. From wholesale generation to retailing and trading, Metra is working with major industry players to provide bespoke forecasting solutions. These range from one-off seasonal forecasts through to the complete enhanced Probability Distribution (ePD) Forecast System. New Zealand's energy industry in turn continues to benefit from MetService's unequalled knowledge of local conditions and focus on innovation.

Internet popularity grows
'metservice.com' continues to be one of New Zealand's most visited internet websites, with a monthly average of more than 1.2 million unique visits, which represents an increase of 28% for the year ending June 2011.*

The site is the fastest-growing weather website in popularity (up 20% over the year*), thanks to new features such as past weather information on the Towns & Cities pages, forecast-linked NZTA road weather warnings for long weekends, and new-look templates for PowderWatch and PowderAlert emails which keep subscribers updated with ski field forecasts and conditions.

Over the year MetService also donated $113,400 of internet advertising to charities, including the Red Cross Christchurch Earthquake Appeal.

Operating expenses
Operating expenses over the year have increased to $34.0 million, up from $33.2 million. The major drivers were:

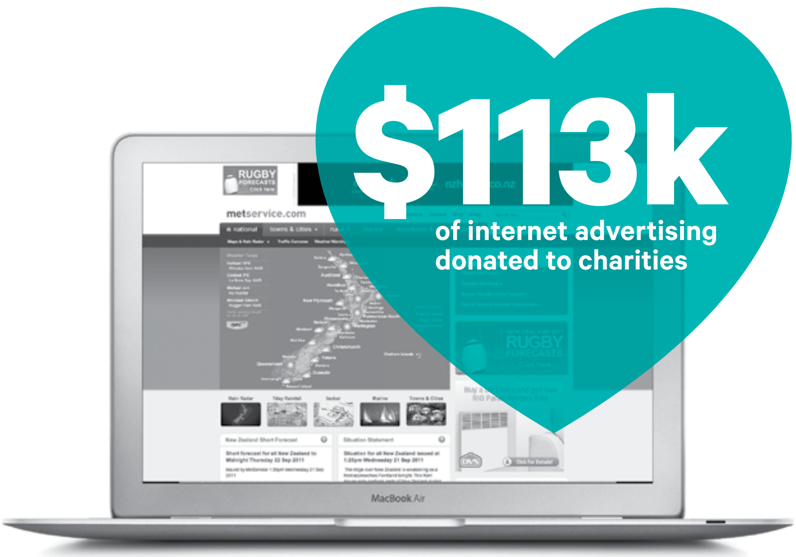
- Electronic Data Processing Costs: MetService's computational power, licensing, backup and storage capacity requirements have risen due to new product sales and the use of a higher resolution 4km model to further increase forecasting detail over New Zealand.
- Depreciation: MetService's long term infrastructure investment programme began four years ago. The result is a compounding depreciation effect on the Company's operating costs: $4.9 million this year, compared with $3.0 million three years ago.

Overall however, MetService's EBITDA for the 2010/11 year has improved compared with last year: an increase of $913,000 to $9.9 million.

Operating profit was up to $4.9 million ($4.7 million in 2009/10). Net surplus was $3.1 million.

MetService's return on equity was 23.1% for the year (20.3% in 2009/10). Its return on funds employed was 19.4% (24.2% in 2009/10).

*Source: Nielsen Market Intelligence (Unique Browsers, NZ Traffic Weather Category).



23.1 % Return on Equity 2010/11

19.4 % Return on Funds Employed 2010/11

Chairman's & CEO's report
Year in review

Radar roll-out improves weather picture
In 2007, MetService began a $12 million radar network expansion programme, for nine weather radars around New Zealand.

This comprehensive network will give us excellent coverage of the country and surrounding marine areas, as our long coastline and mountainous terrain pose major challenges for weather observation.

The programme is on schedule; with the commissioning of the first weather radar on Mahia Peninsula, Hawke's Bay last year, and the recent completion of the Bay of Plenty radar near Rotorua, built on a 12 metre high tower and enclosed in a fibreglass dome.

Steady progress is being made on the Hokitika radar for a November 2011 go-live date. This radar will detect and monitor rain out to 300km from the site, greatly improving our 'weather picture' over the whole West Coast region and out over the Tasman Sea.

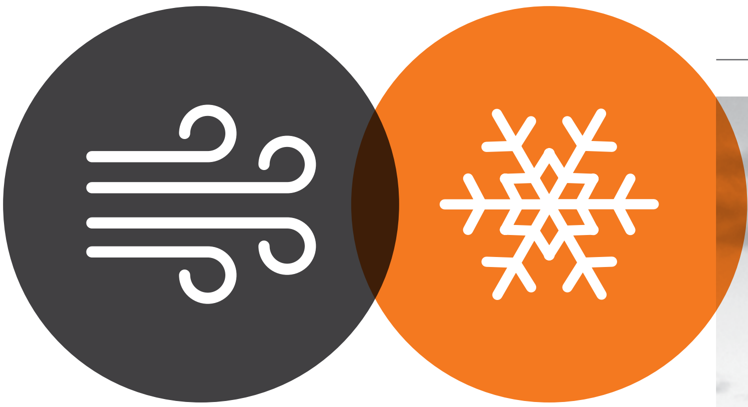
Work has also begun on the fourth new radar, to be located in Northland.

Road weather network completed
In the last three years, MetService has worked in close collaboration with the NZTA to commission a total of 42 road weather stations throughout New Zealand – the subject of our feature case study on page 6.

Notably, during this past year MetService built and installed 22 of these Automatic Weather Stations (AWS) across a broad area of the South Island, many during the harsh winter months. The roll-out was achieved on time and within budget.

Severe weather forecasting
The year brought more than its share of severe weather events, during which the forecast room team were invaluable. Some of the most memorable of these events were:

- A week-long cold southwesterly in mid-September 2010 that brought widespread gales, rain and snow, with heavy snow leading to the collapse of the roof at Stadium Southland.
- Heavy rain on the east coast of the North Island in October 2010, with rainfall in some parts of Gisborne similar to that during the infamous Cyclone Bola.
- The largest number of severe weather warnings of any January since records began, including two tropical systems which caused major flooding in the upper North Island.
- An Easter storm in which parts of Hawke's Bay received rainfall of historic proportions, with some stations recording well over 500mm in three days. At the storm's peak, rainfall was so high that even forecasters and local council hydrologists initially didn't believe the reports!



89%

Probability of Detection (POD) of severe gales, 17% False Alarm Ratio (FAR)

82%

Probability of Detection (POD) of heavy snow, 10% False Alarm Ratio (FAR)

Waiouru South Automatic Weather Station on the Desert Road

- A devastating tornado in Albany in May, followed a few weeks later by two tornadoes and other severe weather in New Plymouth.

Our service during these events is reflected in our warning verifications – Probability of Detection (POD) and False Alarm Ratio (FAR) – see page 54.

Disaster support
The Christchurch earthquakes in September 2010 and February 2011 demanded specialised weather forecasting support for the public and emergency managers. We responded with hourly forecasts of rainfall and wind-driven dust risk, supported by a new high-resolution (1.5km) model. Some innovative thinking from forecasters and technicians saw this information displayed in user-friendly graphs on our website within days of the February quake.

We also provided specialised forecasts to support the Pike River mine rescue operations, and played a key communications role in the nuclear fallout threat following the Japan tsunami. The recent Chilean volcano eruption also kept forecasters and managers busy, not just detecting the volcanic ash but liaising with key customers. This is the subject of our case study featured on page 2. Like many businesses around New Zealand and overseas, in the wake of these disasters MetService is re-evaluating its own disaster recovery options to ensure minimal disruption to 'mission critical' services.

Taking a lead in renewable energy
One of MetService's core activities is research and development to fuel innovation in our products and services. Over the past year, R&D projects produced new types of forecast for wind power, solar power and solar radiation to meet the developing needs of our customers. Internationally, Metra is already working with customers in Europe on a number of renewable energy projects; here in New Zealand MetService is looking to grow significantly in the wind, hydro and thermal energy markets.

NZ plays active role at World Meteorological Congress
MetService staff represented New Zealand at the 16th World Meteorological Organization (WMO) Congress from 13 May to 3 June 2011. The most significant issue was how to progress a new Global Framework for Climate Services, the climate counterpart of WMO's World Weather Watch.

Dr Neil Gordon was New Zealand's Permanent Representative with WMO and an elected member of the WMO Executive Council. This was his fifth and last session of Congress as he retires in September 2011.

94%

Probability of Detection (POD) of heavy rain, 19% False Alarm Ratio (FAR)

See page 55 for details of POD and FAR measures

Hourly forecasts of rainfall and blowing dust risk for Christchurch, based on high resolution model data

Year in review (cont.)

MetService appoints new Chief Executive

After four years as MetService's Chief Executive, Paul Reid took up a position at New Zealand Post in March. Mark Ottaway, Group General Manager Sales & Marketing, served ably as Acting Chief Executive while also carrying out his own role, until we appointed our new Chief Executive, Peter Lennox, in May.

Peter joined MetService from New Zealand Trade and Enterprise's executive team. He has many years' experience working in and with the global technology sector, as well as graduate and post-graduate degrees in biochemistry and biological sciences, and an MBA in Finance and Strategy. He brings a well-balanced blend of international, commercial and scientific disciplines to the role.

Investing in our people

MetService recognises that our people are at the heart of our success. As the business landscape changes and we move into new areas, we have invested in expertise and training across the Company.

This year team managers from across the business have taken part in leadership training and our forecasters have continued their strong programme of peer-led knowledge sharing and mentoring. MetService also participated in a wide range of industry events, including the Extreme Weather 2011 Conference in Wellington in February 2011.

Looking ahead

MetService continues to ride the current economic 'storm' with confidence. We have a clear vision for our future and strong leadership to take us there.

Our focused growth strategy is directing us to deliver new and innovative weather products for the global markets in which we compete. By creating wealth for our commercial customers, we can invest in research and development of technology in New Zealand and create wealth for all New Zealanders.

Along with the whole MetService team, we look forward to another successful year.

Sarah Astor
Chairman

Peter Lennox
Chief Executive

Peter Lennox, MetService's newly appointed Chief Executive.

Directors' report
Corporate governance statement

Directors from left: Carolyn Harkess, Te Taru White, Judy Kirk (appointed July 2011), Sarah Astor (Chairman), David Houldsworth, Greg Cross (Deputy Chair) and James Koh.

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

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

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

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

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

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

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

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

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

Composition of the Board

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

Board meetings

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

Board committees

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

The purposes of the standing committees are as follows:

Audit and Risk Committee

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

Remuneration Committee

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

Conflicts of interest

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

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

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

Board performance review and development

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

Results of operations

	2011 $000s	2010 $000s
Net Surplus Attributable to Shareholders	3,130	2,443
Interim Dividends Paid	500	–
Final Dividend Paid	1,000	1,100
Retained Earnings at Beginning of the Year	7,700	6,357
Retained Earnings at End of Year	9,330	7,700

Changes of capital

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

Auditor

In accordance with Section 19 of the State Owned Enterprises Act 1986, the Office of the Auditor-General is the Auditor for the Company. Lesley Mackle, with the support of PricewaterhouseCoopers, audits 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 $37,000 (2010: $35,000) and Other Services $nil (2010: $nil)
- Metra Information Limited – Audit $50,000 (2010: $50,000) and Other Services $nil (2010: $nil).

Remuneration of employees

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

	Number
$100,000 – $109,999	21
$110,000 – $119,999	17
$120,000 – $129,999	6
$130,000 – $139,999	1
$140,000 – $149,999	5
$150,000 – $159,999	1
$170,000 – $179,999	2
$200,000 – $209,999	1
$230,000 – $239,999	1
$240,000 – $249,999	1
$330,000 – $339,999	1

Directors

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

Corporate governance statement (cont.)

Directors' remuneration

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

Sarah Astor (Chairman)	$46,000
Greg Cross (Deputy Chair)	$19,167
David Houldsworth	$23,000
James Koh	$23,000
Carolyn Harkess	$15,333
Te Taru White	$3,833
Polly Schaverein (Until October 2010)	$7,187
Joanne Keestra (Until October 2010)	$7,667
Gregory Whitau (Until January 2011)	$13,033
Total Directors' Remuneration	**$158,220**

Directors' Interests Register

Sarah Astor

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

Trustee
Church Property Trustees
Warren Architectural Trust
Ohinetahi Charitable Trust

Greg Cross

Shareholder / Director
Cross Ventures Ltd

Shareholder / Executive Chairman
PowerbyProxi Ltd

Shareholder / Executive Director
BiciVida Ltd

Shareholder / Founder
Netople Ltd

Shareholder / Chairman
SLI Systems Ltd
Activate Group

Alumni Advisor
NZTE Beach Head Advisory Board

Venture Partner
Movac Fund 3

Director
Fronde Group Ltd

Chair of Judging Panel EoY
Ernst Young

Chairman
IceHouse Ltd

David Houldsworth

Director
NZ Wool Services Intl Ltd
Tea Lounge Ltd

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

James Koh

Director
Eyredale Farming Company Ltd
Koh Holdings Ltd

Carolyn Harkess

Director
NZRL Southern Zone

Strategic Projects Manager
Southern Pine Products

Te Taru White

Owner / Director
Te Taru White Consultancy Ltd

Shareholder / Director
Media 3D Ltd
Aotearoa Dairy Ltd

Directors' loans

There were no loans by the Company to Directors.

Directors' insurance

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

Donations

The Company made no monetary donations during the year.

Changes in accounting policies

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

For, and on behalf of the Board, which authorised the issue of the financial report on 23 August 2011.

S Astor

S Astor
Chairman

David Houldsworth

D Houldsworth
Audit Chairman

Financial statements

Statements of Comprehensive Income for the year ended 30 June 2011

	Note	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Operating Revenue		39,124	37,794	19,544	19,696
Government Grants		104	161	87	161
Total Operating Revenue		**39,228**	**37,955**	**19,631**	**19,857**
Operating Expenses					
Employee Benefits Expense	3	18,437	18,378	13,969	14,640
Communication Costs		999	952	746	732
Data Acquisition Costs		2,769	2,977	2,487	2,793
EDP Costs		1,354	939	1,123	900
Marketing Costs		971	909	56	175
Occupancy Costs		503	498	467	474
Operating Lease Expenses	24	980	946	841	824
Office Expenses		310	313	258	272
Professional Expenses		1,464	1,224	519	464
Other Costs		1,346	1,868	890	1,011
Depreciation and Amortisation Expense		4,924	4,230	3,957	3,388
Total Operating Expenses		**34,057**	**33,235**	**25,313**	**25,673**
Change in Value of Option		38	17	–	–
Change in Fair Value of Subsidiary		189	–	–	–
Dividends Received		–	–	7,000	5,000
Operating Profit / (Loss)	2	**4,944**	**4,703**	**1,318**	**(816)**
Financial Costs	4	824	458	827	458
Share of Profits of Jointly Controlled Entity	14	(15)	(28)	–	–
Profit / (Loss) Before Taxation		**4,135**	**4,273**	**491**	**(1,274)**
Taxation (Expense) / Credit	5	(1,005)	(1,224)	2,211	1,716
Taxation Expense Due to Change in Legislation	5	–	(606)	–	(603)
Net Profit / (Loss) Attributable to Equity Holders		**3,130**	**2,443**	**2,702**	**(161)**
Other Comprehensive Income					
Movement in Foreign Currency Translation Reserve	21	(9)	–	–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**3,121**	**2,443**	**2,702**	**(161)**

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

Financial statements
Balance Sheets as at 30 June 2011

	Note	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Equity					
Issued Capital	6	5,000	5,000	5,000	5,000
Currency Revaluation Reserve		(9)	–	–	–
Retained Earnings / (Accumulated Losses)		9,330	7,700	(2,894)	(4,096)
Total Equity		**14,321**	**12,700**	**2,106**	**904**
Liabilities					
Bank Advance	12	–	815	–	815
Trade and Other Payables	7	5,464	4,533	3,421	2,800
Amounts Owing to Related Parties	12	–	–	7,674	7,944
Employee Benefits	9	1,385	1,535	1,332	1,481
Income Taxation Payable		89	24	–	–
Total Current Liabilities		**6,938**	**6,907**	**12,427**	**13,040**
Deferred Taxation	5	373	311	263	295
Provisions	10	619	610	619	610
Borrowings	11	15,000	9,000	15,000	9,000
Total Non Current Liabilities		**15,992**	**9,921**	**15,882**	**9,905**
TOTAL LIABILITIES AND EQUITY		**37,251**	**29,528**	**30,415**	**23,849**
Assets					
Cash and Cash Equivalents	25	887	616	183	76
Trade and Other Receivables	8	5,633	5,204	2,577	2,279
Derivative Instruments	20	–	38	–	–
Inventories	13	428	544	428	544
Income Taxation Receivable		–	–	1,594	734
Total Current Assets		**6,948**	**6,402**	**4,782**	**3,633**
Property, Plant and Equipment	19	25,173	19,318	23,517	18,247
Investments in Jointly Controlled Entities	14	–	733	–	–
Other Intangible Assets	18	5,130	3,075	2,116	1,969
Total Non Current Assets		**30,303**	**23,126**	**25,633**	**20,216**
TOTAL ASSETS		**37,251**	**29,528**	**30,415**	**23,849**

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

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 23 August 2011.

S Astor

S Astor, Chairman

David Houldsworth

D Houldsworth, Audit Chairman

Statements of Changes in Equity for the year ended 30 June 2011

Group 2011	Note	Fully Paid Ordinary Shares $000s	Retained Earnings / (Accumulated Losses) $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2010	6	**5,000**	**7,700**	**–**	**12,700**
Comprehensive Income					
Net Profit		–	3,130	–	3,130
Currency Translation Differences	21	–	–	(9)	(9)
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		**–**	**3,130**	**(9)**	**3,121**
Transactions with Owners					
Dividends Relating to 2010	22	–	(1,000)	–	(1,000)
Dividends Relating to 2011	22	–	(500)	–	(500)
Total Transactions with Owners		**–**	**(1,500)**	**–**	**(1,500)**
EQUITY AS AT 30 JUNE 2011		**5,000**	**9,330**	**(9)**	**14,321**

Group 2010	Note	Fully Paid Ordinary Shares $000s	Retained Earnings / (Accumulated Losses) $000s	Foreign Currency Translation Reserve $000s	Total $000s
Equity as at 1 July 2009	6	**5,000**	**6,357**	**–**	**11,357**
Comprehensive Income					
Net Profit		–	2,443	–	2,443
Other Comprehensive Income		–	–	–	–
Total Comprehensive Income		**–**	**2,443**	**–**	**2,443**
Transactions with Owners					
Dividends Relating to 2009	22	–	(1,100)	–	(1,100)
Total Transactions with Owners		**–**	**(1,100)**	**–**	**(1,100)**
EQUITY AS AT 30 JUNE 2010		**5,000**	**7,700**	**–**	**12,700**

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

Statements of Changes in Equity for the year ended 30 June 2011 (cont.)

Parent 2011	Note	Fully Paid Ordinary Shares $000s	Retained Earnings / (Accumulated Losses) $000s	Total $000s
Equity as at 1 July 2010	6	**5,000**	**(4,096)**	**904**
Comprehensive Income				
Net Profit		–	2,702	2,702
Other Comprehensive Income		–	–	–
Total Comprehensive Income		**–**	**2,702**	**2,702**
Transactions with Owners				
Dividends Relating to 2010	22	–	(1,500)	(1,500)
Total Transactions with Owners		**–**	**(1,500)**	**(1,500)**
EQUITY AS AT 30 JUNE 2011		**5,000**	**(2,894)**	**2,106**

Parent 2010	Note	Fully Paid Ordinary Shares $000s	Retained Earnings / (Accumulated Losses) $000s	Total $000s
Equity as at 1 July 2009	6	**5,000**	**(2,835)**	**2,165**
Comprehensive Income				
Net Profit		–	(161)	(161)
Other Comprehensive Income		–	–	–
Total Comprehensive Income		–	**(161)**	**(161)**
Transactions with Owners				
Dividends Relating to 2010	22	–	(1,100)	(1,100)
Total Transactions with Owners		**–**	**(1,100)**	**(1,100)**
EQUITY AS AT 30 JUNE 2010		**5,000**	**(4,096)**	**904**

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

Statements of Cash Flows for the year ended 30 June 2011

	Note	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Cash Flow from Operating Activities					
Cash was Provided from:					
Receipts from Customers		39,426	37,623	19,700	21,892
Interest Received		6	39	2	38
Cash was Applied to:					
Payments to Suppliers and Employees		(32,848)	(30,437)	(24,178)	(23,063)
Interest Paid		(816)	(592)	(815)	(511)
Income Taxation Paid		(1,047)	(1,521)	1,162	1,170
Net Cash Generated by Operating Activities	23	**4,721**	**5,112**	**(4,130)**	**(474)**
Cash Flow from Investing Activities					
Cash was Provided from:					
Dividend Received		42	43	7,000	5,000
Cash was Applied to:					
Intercompany Advances		–	–	(270)	(463)
Purchase of Property Plant and Equipment		(7,659)	(8,322)	(6,179)	(7,019)
Acquisition of Weather Commerce Limited	15	(519)	–	–	–
Net Cash Used by Investing Activities		**(8,136)**	**(8,279)**	**552**	**(2,482)**
Cash Flow from Financing Activities					
Cash was Provided from:					
Increased Borrowings		6,000	3,000	6,000	3,000
Cash was Applied to:					
Dividends		(1,500)	(1,100)	(1,500)	(1,100)
Net Cash Generated by Financing Activities		**4,500**	**1,900**	**4,500**	**1,900**
Net (Decrease) / Increase in Cash and Cash Equivalents		**1,086**	**(1,267)**	**922**	**(1,056)**
Add Cash and Cash Equivalents at the Beginning of the Year		(199)	1,068	(739)	317
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	**887**	**(199)**	**183**	**(739)**

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

Notes to the financial statements for the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES

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

These financial statements were authorised for issue by the Board of Directors on 23 August 2011.

Changes in accounting policy and disclosures

The Group has not adopted any new accounting policies in the year.

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

NZ IFRS 9 'Financial Instruments' – effective for periods beginning on or after 1 January 2013. The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZ IAS 39 'Financial Instruments: Recognition and Measurement'. NZ IFRS 9 reduces the classifications and measurement methods available for financial assets from four to two, being amortised cost or fair value through profit or loss. The Group will adopt the standard for the year ending 30 June 2014. The adoption of this standard is not expected to materially impact the Group's measurement of or disclosure of financial assets or liabilities.

NZ IAS 24 'Related Party Disclosures' – effective for periods beginning on or after 1 January 2011. In December 2009 the IASB issued a revised IAS 24 'Related Party Disclosures'. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for Government-related entities to disclose details of all transactions with the Government and other Government-related entities. The Group will apply the amended standard for the year ending 30 June 2012. It is not expected to have any effect on the Group's or the Parent entity's related party disclosures.

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

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

Statement of compliance

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

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

Summary of significant accounting policies

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

Basis of preparation

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

Principles of consolidation

Subsidiaries

The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2011. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiary acquired or disposed of during the year are included in the Statements of Comprehensive Income from the effective date of acquisition or disposal. All significant transactions between Group companies are eliminated on consolidation. Investments in subsidiaries are recorded at cost less impairment in the Parent company's financial statements.

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

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

The Group's share of post-acquisition profits or losses of jointly controlled entities is recognised in the Statements of Comprehensive Income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly controlled entity at the date of acquisition. Goodwill on acquisition of jointly controlled entities is included in 'Investments in Jointly Controlled Entities'.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ('CGU') or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

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

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

Internally-generated intangible assets – computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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

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

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

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

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

Internally Generated Software	20.0% – 33.0%
Customer base	20%

Leases

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

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

Provisions

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

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

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

Restoration provision

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

Employee benefits

Wages and salaries and annual leave

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements for the year ended 30 June 2011 (cont.)

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

Financial instruments

Financial instruments carried on the Balance Sheet include cash and cash equivalents, trade and other receivables, amounts owing to related parties, other financial assets, trade and other payables, Directors' fees payable, employee entitlements, provision for dividend, derivative instruments and borrowings.

Financial assets

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

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

Effective interest method

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

Financial assets at FVTPL

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

Classification

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Derivatives are also classified as held for trading. A financial liability is classified in this category if it has been incurred principally for the purpose of repurchasing in the short term.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the Statements of Comprehensive Income. The net gain or loss recognised incorporates any interest paid on the financial liability.

The only financial liabilities at FVTPL are derivatives (note 20). All other financial liabilities are at amortised cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements for the year ended 30 June 2011 (cont.)

2. OPERATING REVENUE / EXPENDITURE	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Profit / (Loss) for the year has been arrived after charging/(crediting):				
Audit Fees	87	83	37	37
Loss on Disposal of Property, Plant and Equipment	1	133	1	116
Directors' Fees	158	167	158	167
Bad Debts Recovered	(24)	–	–	–
Software Development Expenditure	136	42	7	40
FX losses / (gains)	129	258	–	33

3. EMPLOYEE BENEFITS EXPENSE	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Wages and Salaries	21,135	20,039	15,947	16,172
Termination Benefits	7	29	7	29
Defined Contribution Expense	277	227	277	227
Labour Capitalised	(4,179)	(2,831)	(3,195)	(2,606)
Contractors / Temporary Staff	569	413	344	340
Other Employee Benefits	628	501	589	478
TOTAL EMPLOYEE BENEFITS	**18,437**	**18,378**	**13,969**	**14,640**

4. FINANCE COSTS – NET	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Interest Revenue				
Bank Deposits	5	16	2	15
IRD – Use of Money Interest	–	24	–	24
Total Finance Income	**5**	**40**	**2**	**39**
Interest on Bank Overdrafts and Loans	829	498	829	497
Total Finance Costs	**829**	**498**	**829**	**497**
FINANCE COSTS – NET	**824**	**458**	**827**	**458**

5. TAXATION	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Net Profit / (Loss) Before Taxation	4,135	4,273	491	(1,274)
Prima Facie Taxation Thereon at 30%	1,238	1,282	147	(382)
Non-deductible Legal Fees	32	8	32	–
Non-deductible Entertainment	10	9	8	7
Non-assessable Inter-company Dividends	–	–	(2,100)	(1,500)
Non-assessable Government Grant	(31)	(48)	(26)	(48)
Prior Period Adjustment	(10)	2	10	223
Effect of Change in Building Tax Depreciation on Deferred Tax	(321)	606	(321)	603
Effect of Changes in Tax Rates	37	(23)	45	(21)
Effect of Different Tax Rates in Other Jurisdictions	1	–	–	–
Other	49	(6)	(6)	5
TAXATION EXPENSE / (BENEFIT)	**1,005**	**1,830**	**(2,211)**	**(1,113)**
Prior Year Adjustment	(10)	2	10	223
Current Taxation	1060	1,181	(2,082)	(2,007)
Deferred Taxation	(45)	647	(139)	671
TAXATION EXPENSE / (BENEFIT)	**1,005**	**1,830**	**(2,211)**	**(1,113)**
Deferred tax				
Deferred tax (liabilities)/assets arise from the following:				
Temporary differences				
Property, Plant and Equipment	(829)	(902)	(795)	(890)
Intangible Assets	(221)	(172)	(112)	(111)
Other Financial Assets	–	(11)	–	–
Provisions and Other Liabilities	653	718	644	706
Doubtful Debts	9	56	–	–
Weather Commerce Loss for the Period	15	–	–	–
	(373)	**(311)**	**(263)**	**(295)**
Deferred Taxation				
Opening Balance	(311)	409	(295)	439
On Profit / (Loss) for the Year	(239)	(63)	(137)	(88)
Prior Period Adjustment	(107)	(73)	(107)	(64)
Effect of Change in Building Tax Depreciation on Deferred Tax	321	(606)	321	(603)
Effect of Changes in Tax Rates	(37)	22	(45)	21
CLOSING BALANCE	**(373)**	**(311)**	**(263)**	**(295)**
Deferred Tax to be Recovered at 30%	613	604	579	592
Deferred Tax to be Recovered at 28%	(986)	(915)	(842)	(887)
	(373)	**(311)**	**(263)**	**(295)**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The Parent recognised a loss for the year ended 30 June 2011, however the Parent and its subsidiaries form part of a consolidated tax group and the Directors believe that it is probable that the Group will generate future taxable profits against which the temporary differences will be utilised.

A reduced corporate tax rate of 28% will apply from the 2011/2012 income tax year.

Notes to the financial statements for the year ended 30 June 2011 (cont.)

5. TAXATION (CONTINUED)	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Imputation Credit Account				
Imputation Credit Account 1 July	3,520	3,582	–	1,017
Income Taxation Paid During the Year (Net of Tax Refunds)	765	1,261	–	–
Imputation Credits Attached to Dividends Paid During the Year	(643)	(542)	–	–
Prior Period Adjustment	–	(781)	–	(1,017)
IMPUTATION CREDIT ACCOUNT 30 JUNE	**3,642**	**3,520**	**–**	**–**
Imputation Credits Available Directly and Indirectly to Shareholders of the Parent Company, through:				
Parent Company	3,642	1,017		
Subsidiaries	–	2,565		
TOTAL	**3,642**	**3,582**		

6. ISSUED CAPITAL	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Authorised, Issued and Fully Paid Capital consists of 5,000,000 Ordinary shares	5,000	5,000	5,000	5,000

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

7. TRADE AND OTHER PAYABLES	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Trade Payables	1,575	681	1,397	498
Other Payables	942	570	943	559
Accruals	1,766	2,238	1,045	1,623
Income in Advance	1,071	830	36	33
Income in Advance – Government Grant	110	214	–	87
TOTAL TRADE AND OTHER PAYABLES	**5,464**	**4,533**	**3,421**	**2,800**

The average credit period on purchases is seven to 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Government grant

TBG (Technology for Business Growth) was a Government-funded initiative (through Foundation for Research, Science and Technology, now part of the Ministry of Science and Innovation) to assist business to develop ideas for business growth. The Parent received a grant in 2006 to work on forecasting tools for energy customers and a further grant in 2010 for a project to improve forecast verification across the business. The projects were 50% funded and under NZ IAS 20 Government Grants, this revenue is recognised over the life of the asset.

8. TRADE AND OTHER RECEIVABLES	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Trade Receivables	4,539	4,458	2,149	1,848
Allowance for Impairment	(34)	(201)	–	–
	4,505	**4,257**	**2,149**	**1,848**
Prepayments	539	546	402	395
Sundry Debtors	589	401	26	36
TOTAL TRADE AND OTHER RECEIVABLES	**5,633**	**5,204**	**2,577**	**2,279**

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

Included in the Group's trade receivable balance are debtors with a carrying amount of $473,084 (2010: $174,898) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Included in the Parent's trade receivable balance are debtors with a carrying amount of $1,064 (2010: $nil) which are past due at the reporting date for which the Parent has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Parent does not hold any collateral over these balances.

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Ageing Past Due Trade Receivables (Not Impaired)				
60 – 90 days	85	174	–	–
90 – 120 days	422	28	–	–
TOTAL	**507**	**202**	**–**	**–**
Movement in the Allowance for Impairment				
Balance at Beginning of the Year	201	74	–	–
Impairment Losses Recognised on Receivables	–	127	–	–
Doubtful Debts Recognised as Bad Debts	(143)	–	–	–
Impairment Losses Reversed	(24)	–	–	–
BALANCE AT END OF THE YEAR	**34**	**201**	**–**	**–**

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

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $34,393 (2010: $200,733) for Group and $nil (2010: $nil) for the Parent, relating to entities which have been considered doubtful.

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

Notes to the financial statements for the year ended 30 June 2011 (cont.)

9. EMPLOYEE BENEFITS	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Annual Leave Entitlement	1,166	1,323	1,113	1,269
Termination Leave	219	212	219	212
TOTAL EMPLOYEE BENEFITS	**1,385**	**1,535**	**1,332**	**1,481**
Termination Leave				
Opening Balance as at 1 July	212	255	212	255
Additional Amounts Recognised	–	–	–	–
Reductions Arising from Payments / Other Sacrifices of Future Economic Benefits	7	(43)	7	(43)
CLOSING BALANCE AS AT 30 JUNE	**219**	**212**	**219**	**212**

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

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

10. PROVISIONS	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Non Current				
Restoration Provision	619	610	619	610
TOTAL NON CURRENT PROVISIONS	**619**	**610**	**619**	**610**
Restoration provision				
Opening Balance as at 1 July	610	631	610	631
Additional Provisions Recognised	–	–	–	–
Change for Passage of Time	9	(21)	9	(21)
Closing Balance as at 30 June	**619**	**610**	**619**	**610**
TOTAL PROVISIONS	**619**	**610**	**619**	**610**

Restoration provision

The Parent has a number of sites leased around the country for the purpose of housing weather stations or related equipment. A restoration provision has been calculated for those sites that contractually require the site to be restored to its original state on expiry of the licence to occupy. The Restoration provision is an estimate of the cost (in today's dollars) of restoring current leased sites to their original state on termination of the lease agreement assuming no renewal of the lease. This provision includes estimation for restoring Campbell Island. The Parent has used the ten year government bond rate (5.23%) as the discount rate and assumed a 2% CPI increase on costs.

Contingent liability

Several lease agreements are held that do not mention the requirement to restore the site on termination of the lease. Because the Company is not contractually obligated to remove the equipment and restore the site, it is not certain that a liability would arise therefore the estimated cost of restoring these sites has been excluded from the provision. 2011: $335,157 (2010: $122,243).

11. BORROWINGS	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Unsecured				
Non Current				
Bank Loan	15,000	9,000	15,000	9,000
TOTAL BORROWINGS	**15,000**	**9,000**	**15,000**	**9,000**

The Parent has an on-going term loan agreement with the Westpac Banking Corporation. The interest rates are fixed and due for renewal between 28 September 2011 and 16 December 2014. The Parent intends extending the loans on maturity. The average interest rate for the loans as at 30 June 2011 is 6.35% (2010: 6.35%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover and debt / equity ratio. As at 30 June 2011, all banking covenants had been complied with.

12. FINANCING FACILITIES	Note	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Westpac Money Market Facility	(i)				
Money Market – On Call Advance		–	(815)	–	(815)
		–	**(815)**	**–**	**(815)**
Loans from Subsidiaries	(ii)				
Metra Information Limited – Intercompany		–	–	**(8,253)**	**(8,418)**
Metra Information (Australia) Limited – Intercompany		–	–	**579**	**474**
	17	**–**	**–**	**(7,674)**	**(7,944)**

Westpac money market facility

The Parent has a multi-option credit line facility with Westpac to the value of $2,000,000. The term of this facility is to 30 June 2012 and the balance is on call. Interest is charged at the cash rate plus a corporate margin of 30 basis points with a line of credit charge of 0.05% per month on the commitment during that month.

Loans from subsidiaries

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

13. INVENTORIES	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Finished Goods at Cost	428	544	428	544
TOTAL INVENTORIES	**428**	**544**	**428**	**544**

The cost of inventories recognised as an expense during the year was $661,364 (2010: $764,283).

The cost of inventories recognised as an expense includes $nil (2010: $34,804) in respect of write-downs of inventory to net realisable value, and has been reduced by $nil (2010: $nil) in respect of the reversal of such write-downs.

14. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities as at 30 June 2010 are as follows:

Name of Jointly Controlled Entity	Weather Commerce Limited
Principal Activity	Tailor made on-line weather packages
Place of Incorporation and Operation	England and Wales

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

The Parent has provided £10,000 funding support to Weather Commerce during the year prior to full acquisition. Related party transactions are at arm's length.

Summarised financial information of the Group's jointly controlled entity is set out below:

	Group 2011 $000s	Group 2010 $000s
Total Assets	–	221
Total Liabilities	–	38
Net Assets	–	183
GROUP'S SHARE OF NET ASSETS	**–**	**92**
Total Revenue	433	667
Total Profit for the Period	31	56
GROUP'S SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITY	**15**	**28**

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

	Note	Group 2011 $000s	Group 2010 $000s
Balance at Beginning of Year		733	747
Share of Profits of Jointly Controlled Entity		15	28
Dividends Received		(42)	(42)
Acquisition of Remainder of Weather Commerce		519	–
Weather Commerce Assets / Liability Acquired	15	(1,036)	–
Fair Value Adjustment Upon Acquisition		(189)	–
BALANCE AT END OF YEAR		**–**	**733**

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

15. SUBSIDIARIES

Details of the Group's subsidiaries at 30 June 2011 and 30 June 2010 are as follows:

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

On 31 March 2008, the Group acquired 50% of the capital of Weather Commerce Limited. On 28 February 2011, the Group acquired the remaining 50% of the share capital and obtained full control of Weather Commerce Limited, a provider of weather related services to the UK retail industry. The purchase consideration for the remaining 50% was GBP250,000 paid in cash.

As a result of the acquisition, the Group is expected to increase its presence in this market and leverage locally based forecasting capability into other market segments.

Assets and liabilities acquired at the date of acquisition are as follows:

	Carrying Value	Fair Value
Intangible assets		
– Customer base		390
– Website		40
Other net assets (liabilities)	(30)	(30)
Net identifiable assets		400
Goodwill		636
FAIR VALUE OF INVESTMENT IN WEATHER COMMERCE LIMITED		**1,036**

The goodwill of $636,437 arising from the acquisition is attributable to economies of scale and the leveraging of locally based forecast capability into other markets.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Names	Metra Information Limited (MIL)	Metra Information (Australia) Pty Limited (MIAL)	Weather Commerce Limited
Place of Incorporation and Operation	New Zealand	Australia	UK
Ownership Interests and Voting Rights	100% (2010: 100%)	100% (2010: 100%)	100% (2010: 50%)
Principal Activity	Weather and Information Presentation Services	Marketing and Promotion of Weather and Information Presentation Services	Weather services to the retail sector

16. BRANCHES

Details of the Group's Branches at 30 June 2011 and 30 June 2010 are as follows:

Names	Metra Information Limited Branch (MILB)	Metra Information Limited
Place of Incorporation and Operation	United Kingdom	Hong Kong
Principal Activity	Sales & Marketing of Weather and Information Presentation Services	Sales & Marketing of Weather and Information Presentation Services

Notes to the financial statements for the year ended 30 June 2011 (cont.)

17. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Transfers of Software Development				
Metra Information Limited	1,580	844	1,580	844
Metra Information (Australia) Pty Limited	28	–	28	–
	1,608	**844**	**1,608**	**844**

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Settlement of Liabilities				
Metra Information Limited	–	–	(2,583)	1,318
Metra Information (Australia) Pty Limited	–	–	(21)	(22)
Weather Commerce Limited	154	106	–	–
	154	**106**	**(2,604)**	**1,296**

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

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Outstanding Receivable / (Payable) at Year End				
Metra Information Limited	–	–	(8,253)	(8,418)
Metra Information (Australia) Pty Limited	–	–	579	474
	–	**–**	**(7,674)**	**(7,944)**

A dividend was paid by Weather Commerce Limited to Metra Information Limited in January 2011. Cash paid GBP20,000 ($42,052).

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Total Salaries	1,918	2,012	1,565	1,701
Total Profit Share	243	158	91	111
Directors' Remuneration	158	167	158	167
	2,319	**2,337**	**1,814**	**1,979**

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

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

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

18. OTHER INTANGIBLE ASSETS	Note	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Internally Developed Software					
Cost					
Balance at the Beginning of the Year		11,600	11,805	7,045	6,547
Additions – Internal Software Development		2,921	2,588	1,314	1,745
Intercompany Transfer		–	–	–	(77)
Disposals		–	(2,793)	–	(1,170)
Balance at the End of the Year		14,521	11,600	8,359	7,045
Accumulated Amortisation and Impairment Losses					
Balance at the Beginning of the Year		(8,525)	(9,404)	(5,076)	(5,101)
Amortisation Expense - Internal Software Development		(1,901)	(1,885)	(1,167)	(1,168)
Disposals		–	2,764	–	1,157
Intercompany Transfer		–	–	–	36
Balance at the End of the Year		(10,426)	(8,525)	(6,243)	(5,076)
CARRYING AMOUNT		**4,095**	**3,075**	**2,116**	**1,969**
Weather Commerce Intangible Assets					
Cost					
Balance at the Beginning of the Year		–	–	–	–
Additions – Customer Base and Company Website	15	430	–	–	–
Balance at the End of the Year		430	–	–	–
Accumulated Amortisation and Impairment Losses					
Balance at the Beginning of the Year		–	–	–	–
Amortisation Expense – Customer Base and Company Website		(31)	–	–	–
Balance at the End of the Year		(31)	–	–	–
CARRYING AMOUNT		**399**	**–**	**–**	**–**

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

Goodwill on Acquisition of Weather Commerce	Note	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Cost					
Balance at the Beginning of the Year		–	–	–	–
Additions	15	636	–	–	–
CARRYING AMOUNT		**636**	**–**	**–**	**–**
TOTAL CARRYING AMOUNT		**5,130**	**3,075**	**2,116**	**1,969**

Weather Commerce customer base valuation

The Weather Commerce customer base is calculated on the net present value of expected revenue net of direct customer servicing costs over a five year period. The asset is to be amortised over a five year period finishing in February 2016. The carrying value of the asset as at 30 June 2011 was $361,333.

Impairment tests for goodwill

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

Notes to the financial statements for the year ended 30 June 2011 (cont.)

19. PROPERTY, PLANT & EQUIPMENT	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Land				
Cost	118	118	118	118
CARRYING AMOUNT	**118**	**118**	**118**	**118**
Opening Carrying Amount	118	118	118	118
Additions	–	–	–	–
Disposals	–	–	–	–
Impairment Losses	–	–	–	–
CLOSING CARRYING AMOUNT	**118**	**118**	**118**	**118**
Land – Leasehold				
Cost	447	447	447	447
Accumulated Depreciation and Impairment	(418)	(397)	(418)	(397)
CARRYING AMOUNT	**29**	**50**	**29**	**50**
Opening Carrying Amount	50	71	50	71
Additions	–	–	–	–
Disposals	–	–	–	–
Impairment Losses	–	–	–	–
Depreciation	(21)	(21)	(21)	(21)
CLOSING CARRYING AMOUNT	**29**	**50**	**29**	**50**
Buildings				
Cost	3,076	1,096	3,076	1,096
Accumulated Depreciation and Impairment	(332)	(216)	(332)	(216)
CARRYING AMOUNT	**2,744**	**880**	**2,744**	**880**
Opening Carrying Amount	880	506	880	506
Additions	1,980	414	1,980	414
Disposals	–	–	–	–
Reclass Between Asset Category	–	–	–	–
Impairment Losses	–	–	–	–
Depreciation	(116)	(40)	(116)	(40)
CLOSING CARRYING AMOUNT	**2,744**	**880**	**2,744**	**880**
Buildings on Leasehold Land				
Cost	4,886	4,210	4,743	4,155
Accumulated Depreciation and Impairment	(1,773)	(1,513)	(1,736)	(1,482)
CARRYING AMOUNT	**3,113**	**2,697**	**3,007**	**2,673**
Opening Carrying Amount	2,697	1,917	2,673	1,891
Additions	675	946	588	946
Disposals	–	–	–	–
Impairment Losses	–	–	–	–
Reclass Between Asset Category	–	–	–	–
Intercompany Transfer	–	–	–	(1)
Depreciation	(259)	(166)	(254)	(163)
CLOSING CARRYING AMOUNT	**3,113**	**2,697**	**3,007**	**2,673**

19. PROPERTY, PLANT & EQUIPMENT (CONTINUED)	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Computer Hardware & Software Equipment				
Cost	12,757	12,967	11,737	11,839
Accumulated Depreciation and Impairment	(10,024)	(10,554)	(9,221)	(9,523)
CARRYING VALUE	**2,733**	**2,413**	**2,516**	**2,316**
Opening Carrying Value	2,413	2,226	2,316	2,072
Additions	1,713	1,623	1,499	1,571
Disposals	(1,923)	(101)	(1,587)	(101)
Reclass Between Asset Category	–	–	(2)	1
Intercompany Transfer	–	–	–	(2)
Transferred to Intangibles	–	–	–	–
Accumulated Depreciation Recovered	1,923	–	1,587	–
Depreciation	(1,393)	(1,335)	(1,297)	(1,225)
CLOSING CARRYING VALUE	**2,733**	**2,413**	**2,516**	**2,316**
Meteorological Equipment				
Cost	17,824	13,999	16,668	13,571
Accumulated Depreciation and Impairment	(8,556)	(7,536)	(8,406)	(7,488)
CARRYING VALUE	**9,268**	**6,463**	**8,262**	**6,083**
Opening Carrying Value	6,463	3,175	6,083	3,040
Additions	3,825	3,938	3,142	3,670
Disposals	–	–	–	–
Reclass Between Asset Category	–	–	–	(1)
Intercompany Transfer	–	–	(17)	–
Depreciation	(1,020)	(650)	(946)	(626)
CLOSING CARRYING VALUE	**9,268**	**6,463**	**8,262**	**6,083**
Motor Vehicles				
Cost	266	260	235	228
Accumulated Depreciation and Impairment	(201)	(207)	(170)	(175)
CARRYING VALUE	**65**	**53**	**65**	**53**
Opening Carrying Value	53	81	53	81
Additions	40	–	40	–
Disposals	(33)	–	(33)	–
Impairment Losses	–	–	–	–
Accumulated Depreciation Recovered	33	–	33	–
Depreciation	(28)	(28)	(28)	(28)
CLOSING CARRYING VALUE	**65**	**53**	**65**	**53**

Notes to the financial statements for the year ended 30 June 2011 (cont.)

19. PROPERTY, PLANT & EQUIPMENT (CONTINUED)	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Office Equipment				
Cost	509	438	456	390
Accumulated Depreciation and Impairment	(388)	(382)	(343)	(345)
CARRYING VALUE	**121**	**56**	**113**	**45**
Opening Book Value	56	51	45	43
Additions	95	29	93	22
Disposals	(25)	–	(25)	–
Reclass Between Asset Category	–	–	–	–
Intercompany Transfer	–	–	–	(1)
Accumulated Depreciation Recovered	25	–	25	–
Depreciation	(30)	(24)	(25)	(19)
Closing Carrying Value	**121**	**56**	**113**	**45**
Furniture and Fittings				
Cost	1,231	810	1,092	683
Accumulated Depreciation and Impairment	(663)	(639)	(579)	(569)
Carrying Value	**568**	**171**	**513**	**114**
Opening Carrying Value	171	67	114	48
Additions	447	133	438	88
Disposals	(27)	–	(25)	–
Reclass Between Asset Category	–	–	–	1
Intercompany Transfer	–	–	–	–
Accumulated Depreciation Recovered	26	–	25	–
Depreciation	(49)	(29)	(39)	(23)
Closing Carrying Value	**568**	**171**	**513**	**114**
Plant and Equipment				
Cost	937	901	838	803
Accumulated Depreciation and Impairment	(401)	(331)	(340)	(278)
Carrying Value	**536**	**570**	**498**	**525**
Opening Carrying Amount	570	438	525	416
Additions	37	184	35	158
Disposals	–	–	–	–
Reclass Between Asset Category	–	–	–	1
Intercompany Transfer	–	–	–	(2)
Depreciation	(71)	(52)	(62)	(48)
Closing Carrying Amount	**536**	**570**	**498**	**525**
	19,295	**13,471**	**17,865**	**12,857**
Capital Work in Progress				
Internally Developed Software	3,657	2,689	3,657	2,689
External Purchased Software and Equipment	2,221	3,158	1,995	2,701
TOTAL CARRYING AMOUNT	**25,173**	**19,318**	**23,517**	**18,247**

Capital work in progress relates to on-going projects that were not completed and capitalised at year end. No impairment issues have been identified.

20. DERIVATIVE INSTRUMENTS	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Current				
Financial Assets Carried at FVTPL				
Call Option – Weather Commerce Limited	–	38	–	–
	–	**38**	**–**	**–**

21. FOREIGN CURRENCY TRANSLATION RESERVE

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

22. DIVIDENDS	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Interim Dividends Paid				
Interim Dividends Relating to Current Year (10c per share, 2010: nil)	500	–	500	–
	500	**–**	**500**	**–**
Final Dividends Paid				
Final Dividends Relating to Prior Year (20c per share, 2010: 22c per share)	1,000	**1,100**	1,000	1,100
	1,500	**1,100**	**1,500**	**1,100**

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

23. RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Net Surplus / (Loss) for the Year	**3,121**	**2,443**	**2,702**	**(161)**
Non Cash / Non Operating Items				
Depreciation and Amortisation	4,924	4,230	3,957	3,388
Loss on Sale of Fixed Assets	1	133	1	116
Change in Value of Option	38	17	–	–
Change in Fair Value of Subsidiary	189	–	–	–
Share of Profits of Associates	(15)	(28)	–	–
Labour Capitalised	(4,179)	(2,831)	(3,195)	(2,606)
Increase / (Decrease) in Deferred Tax	61	721	(32)	735
Intercompany Dividends	–	–	(7,000)	(5,000)
Restoration Provision	9	(20)	9	(20)
TOTAL NON CASH ITEMS	**1,028**	**2,222**	**(6,260)**	**(3,387)**
Movements in Working Capital				
(Increase) / Decrease in Receivables	(390)	167	(298)	58
(Decrease) / Increase in Accounts Payable and Accruals	781	575	470	575
Decrease / (Increase) in Income Taxation Receivable	65	(287)	(860)	2,449
(Increase) / Decrease in Inventories	116	(8)	116	(8)
Total Movement in Working Capital	**572**	**447**	**(572)**	**3,074**
NET CASH GENERATED BY OPERATING ACTIVITIES	**4,721**	**5,112**	**(4,130)**	**(474)**

24. OPERATING LEASE EXPENSES

The Group as Lessee:

Leasing arrangements

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Non-Cancellable Operating Lease Commitments				
Not Later than One Year	212	223	212	223
Later than One Year and Not Later than Five Years	483	487	483	487
Later than Five Years	1,089	878	1,089	878
	1,784	**1,588**	**1,784**	**1,588**
CURRENT YEAR EXPENSE	**980**	**946**	**841**	**824**

25. CASH AND CASH EQUIVALENTS

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Cash and Cash Equivalents	887	616	183	76
Bank Overdraft / Advance	–	(815)	–	(815)
	887	**(199)**	**183**	**(739)**

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

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

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

FUNDS HELD AT BALANCE DATE	**705**	**303**	**705**	**303**

26. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

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

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

	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Categories of Financial Instruments:				
Assets				
Loans and Receivables				
Cash and Cash Equivalents	887	616	183	76
Trade and Other Receivables	5,094	4,658	2,175	1,884
Financial Assets at Fair Value through Profit or Loss				
Call Option – Weather Commerce Limited	–	38	–	–
TOTAL FINANCIAL ASSETS	**5,981**	**5,313**	**2,358**	**1,960**
Liabilities				
Financial liabilities at amortised cost				
Trade and Other Payables	5,252	4,496	3,378	2,746
Amounts Owing to Subsidiary	–	–	7,674	7,944
On-Call Advance	–	815	–	815
Borrowings	15,000	9,000	15,000	9,000
TOTAL FINANCIAL LIABILITIES	**20,252**	**14,310**	**26,052**	**20,505**

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives

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

Market risk

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

Foreign currency risk management

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

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

	Liabilities 2011 $000s	Liabilities 2010 $000s	Assets 2011 $000s	Assets 2010 $000s
Group				
US Dollars	78	63	284	196
British Pounds	23	86	189	197
Euro	–	4	303	429
Australian Dollars	33	32	241	173
	134	**185**	**1,017**	**995**
Parent				
US Dollars	–	–	–	–
British Pounds	–	–	–	–
Euro	–	–	–	–
Australian Dollars	–	–	–	–
	–	–	–	–

Foreign currency sensitivity analysis

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

If exchange rates had been 10% higher and all other variables were held constant, Group profit would have decreased by $80,000 (2010: $70,000).

If exchange rates had been 10% lower and all other variables were held constant, Group profit would have increased by $98,000 (2010: $92,000).

Interest rate risk management

The Parent and Group are exposed to interest rate risk as entities in the Group borrow funds at fixed interest rates. The risk is managed by the Group by maintaining an appropriate level of debt.

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

Credit risk management

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

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 12 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

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

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

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
	$000s	$000s	$000s	$000s
At 30 June 2011				
Borrowings	953	953	16,906	–
Trade and Other Payables	5,252	–	–	–
At 30 June 2010				
On-Call Advance	815	–	–	–
Borrowings	572	572	10,143	–
Trade and Other Payables	4,496	–	–	–

The Group has access to financing facilities, the total unused amount of which is $3,000,000 at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Valuation of Weather Commerce Limited option

The option to purchase the remaining 50% of the share of Weather Commerce Limited has been exercised during the year. In 2010 it was valued using the Black Scholes Merton option pricing model with the following input assumptions:

Grant Date	31 March 2008
Value Date	30 June 2011
Expiry Date	31 March 2011
Volatility Range	25 – 35%
Risk Free Rate	2.05%

The option value of GBP 17,617 had been translated at value date to New Zealand dollars using a foreign currency exchange rate of NZD:GBP 0.462.

Notes to the financial statements for the year ended 30 June 2011 (cont.)

26. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value estimation

Fair value measurements by level of the following fair value measurement hierarchy are disclosed below:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total Balance $000s
2010				
Assets				
Call Option – Weather Commerce Limited	–	–	38	38
Total Assets	**–**	**–**	**38**	**38**

No assets are held at fair value in 2011.

Other items

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

27. CAPITAL COMMITMENTS	Group 2011 $000s	Group 2010 $000s	Parent 2011 $000s	Parent 2010 $000s
Commitments for the acquisition of property, plant and equipment	**1,175**	**8,609**	**1,042**	**8,493**

Matters relating to the electronic presentation of the audited financial statements

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

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

Auditor's report

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To the readers of Meteorological Service of New Zealand Limited and Group's financial statements for the year ended 30 June 2011

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

We have audited the financial statements of the Company and Group on pages 21 to 50, that comprise the balance sheet as at 30 June 2011, the statements of comprehensive income, statement of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial statements

In our opinion, the financial statements of the Company and Group on pages 21 to 50:

- comply with generally accepted accounting practice in New Zealand; and
- comply with International Financial Reporting Standards; and
- give a true and fair view of the Company and Group's:
  - financial position as at 30 June 2011; and
  - financial performance and cash flows for the year ended on that date.

Opinion on other legal requirements

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

Our audit was completed on 23 August 2011, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

Independence

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

Other than the audit, we have no relationship with or interests in the Company or any of its subsidiaries.

Lesley Mackle

Lesley Mackle
On behalf of the Auditor-General

PricewaterhouseCoopers

PricewaterhouseCoopers
Wellington, New Zealand

Key performance indicators
Financial

	Statement of Corporate Intent	Actual 2011	Actual 2010
1. Shareholder Returns			
Total Shareholder Return	N / A	15.7%	28.6%
Dividend Yield	5.0%	3.2%	2.8%
Dividend Payout	22.6%	30.8%	21.5%
Return on Equity (ROE)	21.6%	23.1%	20.3%
Return on Funds Employed	19.1%	19.4%	24.2%
2. Profitability / Efficiency			
NPAT ($000s)	2,926	3,121	2,443
EBIT ($000s)	4,811	4,950	4,731
EBITDA ($000s)	10,475	9,874	8,961
Asset Turnover	1.31	1.18	1.45
Operating Margin (EBITDAF)	25.5%	25.2%	23.7%
Operating Margin (EBIT)	11.7%	12.6%	12.5%
3. Leverage / Solvency			
Gearing Ratio (net)	46.9%	49.6%	42.0%
Interest Cover	16.6	12.0	18.1
Solvency	1.02	0.95	0.86
Debt Coverage Ratio	2.76	3.03	1.90
4. Growth / Investment			
Revenue Growth	8.8%	3.5%	3.0%
EBITDAF Growth	18.6%	9.7%	2.5%
NPAT Growth	1.0%	27.8%	-24.8%
Capital Renewal	1.72	2.51	2.64

Notes to the Financial Key Performance Indicators

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

Key performance indicators
Non-financial

	Statement of Corporate Intent	Actual 2011	Actual 2010
Warnings Performance			
POD Heavy Rain (12 months mean)	> 83%	94%	93%
POD Severe Gales (24 months mean)	> 79%	89%	92%
POD Heavy Snow (24 months mean)	> 79%	82%	92%
FAR Heavy Rain (12 months mean)	< 32%	19%	16%
FAR Severe Gales (24 months mean)	< 36%	17%	16%
FAR Heavy Snow (24 months mean)	< 36%	10%	15%
Forecast Accuracy			
Tmax % Within 2°C (12 months mean)	75%	76%	77%
Tmin % Within 3°C (12 months mean)	80%	85%	90%
Precipitation % Correct (12 months mean)	75%	83%	81%
Forecast Improvement Score	> 0	6	8.0
RC / MCDEM Survey Score (December Survey)	80%	89%	86%
Systems Performance & Capability Investment			
Radar % Uptime (12 months mean)	97%	99.6%	98.4%
AWS % Uptime (12 months mean)	98%	99.5%	99.1%
Forecasting Capability Investment (past 12 months)	> 5.0%	6.7%	5.8%
Observing Capability Investment (past 12 months)	> 5.0%	10.9%	10.4%
% Experienced Forecasters	> 40%	55%	47%
ISO Audit Non-Conformances remaining unresolved > 2 months (past 12 months)	≤ 1	0	0
CAA Audit Non-Conformances (past 12 months)	<1	0	0
Social & Environmental Sustainability			
Accidents Lost Time (hrs in past 12 months)	< 40 hr	0	0
Unique Website Visitors (000s) (12 months mean)	965	1,121	785
WMO Staff Participation (past 12 months)	10	11	10
Staff Community Service Days (past 12 months)	50	21	59

Notes to the Non-Financial Key Performance Indicators

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

Company directory

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

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