ANNUAL REPORT

06/07

METSERVICE

METRA

Enhancing people's lives, every day

MetService and its subsidiary Metra work with customers from New Zealand, Australia and the Pacific Islands to the Middle East and Europe. Our customers rely on us to understand their needs and deliver the right information, in the right format, at the right time, to wherever they may be.

What we do makes a positive difference to people's lives every day. We take our customers' needs very seriously, and have a team of people who are dedicated, enthusiastic and committed to their work.

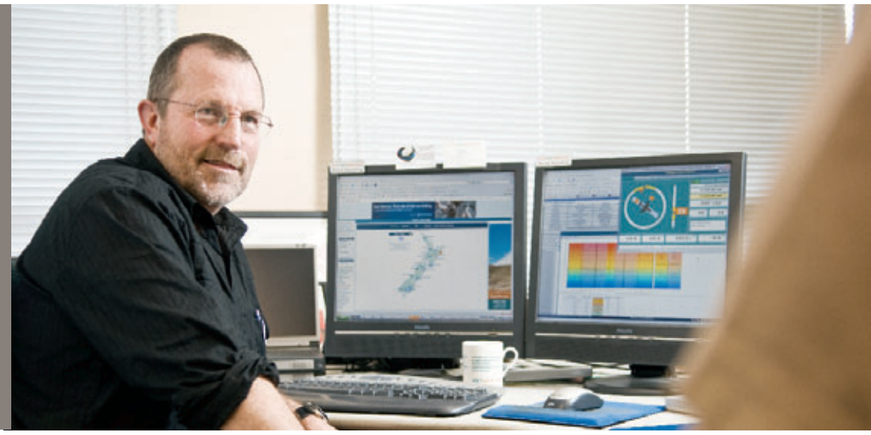
The success of MetService can be attributed to our approach. Our team excels in their chosen fields, and while they all bring different skills, they share a common goal – to get the best results for customers. And that is vital because it is the knowledge of our people that gives you the competitive edge.

Bruce Spedding, Windsurfer

When you're a windsurfer you have to make decisions about whether to go out, which stretch of coast to head to, and what time to be there – to do that you need to know what sort of weather conditions you're dealing with.

Bruce Spedding, Web Developer

As a web developer Bruce helps MetService customers to make their own daily decisions by delivering weather information in a format that is designed to meet the needs of the thousands of users of MetService's web-sites.



"Windsurfing is a sport that makes you take an interest in the weather and conditions – because that can determine what you get to do on the water that day. Understanding the weather and conditions helps you to get the best from being out on the water. Just by being aware I know whether to go out or not – whether it's a good day for speed or jumps, and where I'll get the best surfing that day. It's all about assessing the conditions and making the best decisions – when I'm at work I use similar skills to provide others with the information they need to make decisions for their day to day lives."

MetService websites provide information and services to many different types of users, and they can be customised so that those users get the information that matters most to them in the most appropriate format. Bruce, as part of the web development team, plays an important role in assessing what sort of information customers need from MetService, and the best possible way to design the website to deliver that information to them.

Bruce is part of a creative and committed web development team all of who are dedicated to developing new services delivered to customers via the web. Since its redevelopment in 2004, www.metservice.com has seen unique visitors to the site quadruple. MetService.com is now the number one ranked weather site in New Zealand and number one for ski fields as well. Last year MetService launched a rural section that rapidly became the number one site for rural weather information in New Zealand.

"Windsurfing requires many skills, including being able to understand, anticipate and respond quickly to what is required by the weather and surface conditions. Being a web developer shares similar attributes – it's not just about being technically capable, you also have to be able to understand what your web users want – what information is going to help them, and how you can deliver that to them most effectively."

www.metservice.com

306%

increase in unique visitors to website since 2004

August 2004: 94,000
June 2007: 383,000

Get your weather at www.metservice.com

Leigh Matheson, Experienced Tramper

Tramping in the great outdoors is Leigh Matheson's dream day out, but she knows that without careful preparation and a good understanding of the weather and environment things could very easily not be so pleasant.

Leigh Matheson, Lead Forecaster

At work she takes a personal interest in helping others to get on with their lives by providing weather forecasts and information to help people prepare and take decisions for business, leisure and day to day activities.

"When you're tramping you have to accept the weather conditions as part of the experience. If everyone waited until the sun was shining before they went tramping, then no-one would be tramping, especially in New Zealand! There's a huge difference between accepting the conditions as part of the experience and not preparing for those conditions; acknowledging and planning for all contingencies is essential to make the experience enjoyable and safe."

Leigh joined the MetService as a trainee on the 1996 meteorologists' training course. In her role as Lead Forecaster she analyses and diagnoses the weather situation to determine the weather pattern over the next few days. She then communicates this to the other forecast areas to ensure that the forecast output is consistent.

"Like tramping, my role at MetService is all about preparation. When I'm at work I'm meeting a wider community, and business-based, need. I think that we, as professionals, sometimes forget that, for most people, the weather is not about science, it's about living and moving forward. I like to think that by forecasting the weather I help people get on with their lives."

FORECAST ACCURACY

89%

probability of detection for heavy rain in the 12 months to June 2007

See the latest warnings at www.metservice.com

Norm Henry, Father of Two

As a dad Norm is always reminded that children see the world as a place where anything is possible – and everything's an adventure.

Norm Henry, Manager, Automated Meteorological Prediction Systems

Norm takes this positive approach when tackling complex R&D projects. That's how he and his team have made excellent progress on the development of a unified 15 day probabilistic forecast system.

"One of the most inspiring things about being a dad is that I am reminded on a daily basis that the world is full of possibility. I try to take that approach at work every day. I look at the bigger picture and what will help people in a real way, in their work and lives. Bringing those solutions to life is then all part of the fun – and the challenge – that's what I love about what I do."

Norm leads the team that develops and operates MetService's model-derived forecasting systems. The team's major research and development project is focused on developing a unified 15 day probabilistic forecast system for the energy market. The project started in October 2005 and Norm believes that it is his team's enthusiasm and vision that's helped them to stay on track and work through the challenges and disappointments that can be expected in any major project.

"When we started the project in 2005 we were all very clear about where we wanted to get to, but remained flexible about how we'd get our end result. While research and development requires enthusiasm to get past the inevitable disappointments, it also requires a creative and flexible approach because you often need to think outside the square to realise your vision."

The project will be completed in 2008. It will provide the capability for probability forecasts, at all time ranges, from a few hours out to 15 days. It is based on a unified approach employing multiple weather models. The project is focused on satisfying energy industry requirements, and is supported by Technology New Zealand's Technology for Business Growth (TBG) Scheme.

In August 2007 Norm Henry joined the Executive Team in the role of General Manager – Metra New Zealand/USA.

R&D RESULTS

10%

improvement to statistically fine-tuned temperature forecast accuracy from MetService's TBG project

For more information on energy products go to www.metra-info.com

Peter Lowe, Pilot

Attention to detail, good preparation and careful planning ensure that Peter has a safe and enjoyable flight.

Peter Lowe, Customer Systems Manager

It is this same approach that ensures MetService customers get an excellent Weatherscape show, as well as outstanding service and support from the MetService Customer Engineering team.

"Nothing compares to sitting in the cockpit and preparing for take off. It's incredibly exciting. But before I even think about take-off it's all about thorough checking of the aircraft and its equipment to make sure everything is working correctly, making sure that the conditions are suitable for flying, and knowing what sort of weather is expected. Attention to detail is an essential part of pre-flight preparation – it means that when I'm flying I know that I've put the time into making sure that the flight will be safe."

Peter has been with MetService for twenty years and for most of that time he has been involved with the development of MetService's IT systems. His team of Customer Engineers are responsible for developing Weatherscape shows for customers, providing system support and training, and visiting potential customers to demonstrate the product.

"We have customers around the globe – from the UK to Finland to the Middle East and Australia, and we have Customer Engineers based in New Zealand and the UK dedicated to supporting these clients. As Customer Engineers we use our technical expertise to ensure that they get the best from their system. Preparing to broadcast a new TV weather show to air requires a similar level of knowledge and detailed planning to preparing for a flight. I take this planning very seriously – because I understand the importance of a smooth launch."

TELEVISION VIEWERS

85%

of Australasian television viewers tune in to broadcasters that use Weatherscape

For information on Weatherscape go to www.metra-info.com

Paul Reid, Farmer's Son

As part of a farming family Paul has seen first hand how the weather can impact on crops, animal health and the livelihood of a business.

Paul Reid, Chief Executive

He knows that every single member of the MetService team has an important role in delivering accurate information and weather data to customers – to help them make the decisions that can have a positive impact on their business decisions – and everyday lives.

Our Services

MetService's weather and presentation services range from general forecast services to more specialised products designed to meet the needs of specific industries. A summary of our services is provided below. For more detailed information on international business services go to www.metra-info.com; for New Zealand weather and business information visit www.metservice.com

Television

MetService has the weather graphics solution for broadcasters of any size – from global broadcasters requiring multiple formats to the small single site operator.

Weatherscape XT combines the latest advances in 3D rendering technology and graphics animation, user flexibility, computer technology and meteorology to provide state of the art weather presentations that will change the way that people experience weather reporting.

Weatherscape CLIP is targeted at small to medium sized broadcasters. It provides the same high quality graphics as XT but in a pre-rendered movie format, which is ideal for customers that do not require the flexibility provided by XT.

Mobile Phone Content

Weatherscape CLIP is ideal for providing high quality weather graphics to the mobile phone market.

Energy

MetService has the product for all aspects of the energy sector – from generators and retailers to energy traders. Forecasts combine statistical and numerical weather modelling and can be tailored to the requirements of individual users.

Forecasts can be provided for the next few hours out to fifteen days using an optimal combination of multiple weather models and sophisticated statistical fine tuning.

Forecast the Forecast can provide energy traders with likely swings in model derived temperature forecasts which can occur from one model run to the next. This can provide traders with advance warning of what the market will do.

Vantage provides an indication of when actual temperatures will vary from numerical weather model derived forecasts based on analysis of the model's past performance.

Rapid Update incorporates actual observations to further improve forecasts over the next 6-12 hours. It delivers updated forecasts within minutes of new observations being received.

Probability Distribution (PD) Forecasts offer a very different way of looking at weather information. Rather than a single number, e.g., the maximum temperature for tomorrow they describe the likelihood of the temperature falling within any specified range. This allows risk sensitive users to consider a range of possible outcomes.

Print Media

MetService can provide weather, financial and stock market information, TV listings, sports betting and racing fields and form pages in camera ready format and with graphics customised to the user's requirements.

Meteorological Systems

MetService can provide meteorological instrumentation systems to customers which include a range of automatic weather stations and innovative display systems.

iSTAR is MetService's premier automatic weather station used at sites, such as airports, where the highest standards of observation quality and sophistication are required.

mSTAR is MetService's automatic weather station ideal for remote locations where power and communications infrastructure is limited. Capable of operating from solar power it can send observations every minute using cell phone technology.

Weather Observation Display Systems have been developed to meet the specific requirements of customers from air traffic control to port company operations.

Advertising

MetService's website is the number one site for weather, skiing, and the rural sector in New Zealand. Unique visitors averaged 320,000 per month during the year. www.metservice.com is the ideal site to promote a wide range of products and services.

Other Services

In New Zealand MetService has the product or service to meet the needs of any weather dependent industry from aviation to yachting and everything in between.

Francis Small, Angler

Fishing is all about strategy. Everything you do is absolutely necessary to get to the end result. The location, time of day, fly, rod, the moments of quiet contemplation, and even the technique that you use to reel in your catch, all add up to getting the best result.

Francis Small, Chairman

As Chairman, Francis knows how important it is for every part of MetService to contribute to the overall vision, values and direction of the organisation – that is how MetService keeps its edge and helps its customers get winning business results.

2006/2007 – another period of success and growth

Financial Performance

The MetService group achieved a tax paid profit of $2.356 million, which represents a 36.4% after tax return on average shareholders' funds. This was $0.452 million greater than the financial target forecast in the Statement of Corporate Intent. This return is the result of stronger than anticipated domestic revenue and lower than expected depreciation. International revenues from the media and energy sectors were on target and 29% higher than the previous financial year. During the year there were significant investments in infrastructure. Dividends of $1.625 million were paid during the year, consisting of a final dividend for 2006 of $0.825 million and an interim dividend of $0.800 million for 2007. A final dividend for 2007 of $1.650m was declared in June and will be paid in October 2007.

Business Performance

This year MetService continued to achieve excellent results; this is a testament to the strength of the organisation and quality of the service that we deliver. We renewed a number of important contracts with key customers and gained a significant number of new contracts with a range of international businesses.

New Zealand Weather Related Services

Our contract with the Minister of Transport to provide weather related services to New Zealand has been renewed for a further 6 years. The contract represents 50 per cent of our total business.

During the last 12 months MetService exceeded its performance targets for severe weather warnings. We routinely verify the accuracy and timeliness of the severe weather warnings we provide to New Zealand in terms of Probability of Detection (POD) and False Alarm Ratios (FAR). PODs for heavy rain, severe gales and heavy snow were 89% or better at the end of June and the corresponding FARs were 23% or less. The significant impact of severe weather events on the lives of New Zealanders and the infrastructure that we all rely upon on a daily basis provides us with the incentive to strive to further improve on these excellent results.

We continued to develop the capability of providing warnings that severe thunderstorms are very likely to strike a specific area within the next hour or two, in anticipation that such services will be incorporated into the MoT contract soon. Such warnings will rely heavily on good weather radar coverage. Watches of severe thunderstorms were implemented as part of the new services commencing from July 2007.

INTERNATIONAL GROWTH

29%

increase in revenue from international television and energy customers

For information on our television and energy services go to www.metra-info.com

"Channel Four Finland is the smallest yet the most advanced and efficient of the 3 main channels in Finland.... We did quite thorough research over the market to find Weatherscape XT the most suitable to our needs... We have 100% confidence in Metra staff, if they promise something it really will happen!"

Nelonen, Channel Four Finland

Above from left, Paul Linton, General Manager – Metra UK, Europe, Middle East and Norm Henry, General Manager – Metra New Zealand/USA.

Opposite page, Weatherscape XT is a full turn key solution. It fuses meteorological science with the latest advances in computer graphics technology.

During the year constructive discussions were held between NIWA and MetService over the provision of weather, climate and environmental services in New Zealand, which have led to an enhanced collaborative relationship. We look forward to improvements to the high quality service we already provide to the New Zealand public through this closer collaboration.

Weatherscape XT

Our Weatherscape XT system is a brand leader in the premium international television market. The software is used by both large and small television stations who want to provide a point of difference for their viewers and gain internal production efficiencies for their station.

Our current customers include BBC national and regional stations, BBC World, TV3 New Zealand, Foxtel's Weather Channel Australia, and Nine Network Australia. This year we secured new contracts with Channel Seven Australia, SBS Australia, and CNBC Europe. Channel Four Finland went live with their Weatherscape XT show during the year.

Weatherscape CLIP

Weatherscape CLIP enables customers to broadcast pre-rendered Weatherscape XT "movies" without the need for a full system. It is targeted at small to medium size television stations, particularly those looking for an automated solution.

VC Media, our first customer, expanded their WeatherTrek CLIP service into Air New Zealand Koru Club lounges. Our first international sale of Weatherscape CLIP was made this year to City 7 TV in Dubai, an English language free to air satellite channel.

Weatherscape CLIP is also successful as a premium product for the international mobile phone and content aggregator market. In June we entered into a new relationship and new market opportunity when we signed a contract with Autofreefone Ireland. This is a company which operates in the growing mobile market looking for 3D weather-rich content. We believe that this new market will continue to provide us with opportunities for the future.

Energy

We have continued to build our strength in the energy market. This year we secured a new contract for three wind farms in Western Australia, and Origin Energy in Australia appointed MetService as their preferred supplier of weather services. Our UK CCGT power station market remains strong.

UK energy company E-On extended its contract with us for an 'embedded' Metra meteorologist, who has spent three days a week for the last year working at the E-On office in Coventry, providing meteorological expertise to their UK energy trading team. We also now provide customised weather training courses for clients through our UK office.

Energy Company ATEL in Switzerland has contracted MetService to supply forecasts including probabilistic information for 32 sites around Europe.

America's Cup Spain

We were proud to play our part in the America's Cup in Valencia. We ran our mesoscale model over the race area during the duration of the Cup for Emirates Team New Zealand who utilised our short-term weather forecasts in their day to day race planning. We also provided services to Italy's Luna Rossa and England's Victory challenges.

Print Media

We renewed our contract with The South China Morning Post in Hong Kong to provide print ready weather graphics.

Aviation Services

Our aviation services are an important part of the MetService offering and we have continued to strengthen our successful relationships with Air New Zealand and the Royal New Zealand Air Force, our two largest customers.

International Presence

Australia

A decision was taken to establish a subsidiary company of Metra Information Ltd in Australia to support existing customers and to gain further growth in the television, energy, print, and internet sectors. A senior market manager was relocated to Sydney in the latter part of the year to establish the office.

United Kingdom & Europe

To strengthen Metra's operations in the key UK, Europe, and Middle Eastern markets we have appointed a senior manager to be based in the UK office. He will relocate to the UK early in the next financial year.

Growing business in the United Kingdom and Europe has led to our recruiting a Weatherscape customer engineer based in our UK office. He will provide technical assistance to our existing customers and support the marketing of Weatherscape to new clients.

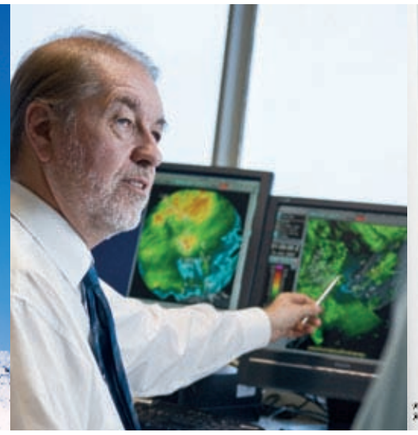
NEW WEATHER RADARS

80%

of New Zealand's North Island to have radar coverage by 2010

For weather radar imagery go to www.metservice.com




Above, Neil Gordon, General Manager – Advanced Technology and Chief Meteorologist. From December 2007 MetService will extend marine forecast and warning services as far south as the Antarctic ice edge.

Opposite page, Mountain and ski field users get their forecasts from metservice.com which is the number one weather website in New Zealand. Rod Stainer, General Manager – National Weather Services. Vantage is a new energy market product developed this year.

Innovative Thinking

Innovation is an essential ingredient in the success of our business. It ensures that we provide an excellent service to our customers and continue to build a successful and competitive organisation. This year our innovative thinking has helped develop new forecasting services and improvements to our current services.

New Weather Forecasting Services

Our implementation of a new inshore leisure marine forecast for the Bay of Plenty Coast means that over 90% of New Zealand's principal recreational marine areas are now covered by specific forecasts; we have also developed new Watches for severe thunderstorms to help identify the risk of torrential downpours which can lead to flash floods and even tornadoes.

In December, we will extend our forecast and warning services to ships on the high seas from the current southern limit of 55° south latitude to the Antarctic ice edge.

Improving our Forecasting

ECMWF Global Model Forecasts

MetService has now secured full access to the computer model forecasts issued by the European Centre for Medium Range Weather Forecasting (ECMWF). These global model forecasts are generally considered to be the best in the world.

The ECMWF global atmospheric and wave models have 25 km horizontal resolution and provide forecasts out to ten days. They also have 50 km resolution ensemble atmospheric and wave models that provide 51 different forecasts of how the weather may evolve out to 15 days.

Development of a Unified Probabilistic Forecasting System out to 15 Days

MetService continued to invest significant resources into the project to develop a unified probabilistic forecasting system. This project is supported by Technology New Zealand's Technology for Business Growth Scheme. It commenced in October 2005 and will be completed in 2008. The developments under this project will provide improved accuracy, new products such as Forecast the Forecast and Probability Distribution Forecasts, as well as a solid platform for new statistical forecasting initiatives.

Vantage

Vantage is a new energy market product developed by MetService this year. It provides energy traders and analysts with an indication of when the actual temperature will vary – to be much colder or warmer – from a computer modelled temperature forecast. Vantage is based on analysing how well the computer model has performed in the past, combined with information from ensemble computer models such as that of the ECMWF.

Forecast the Forecast (FTF)

We have also developed a complementary product Forecast the Forecast. This product can pick up likely swings in model-derived temperature forecasts which can occur from one model run to the next. These changes can create big swings in market prices of weather derivatives and energy futures. FTF can pick these up in advance and give traders a "heads-up" advantage relating to what the market may do when the next model run becomes available.

FTF was developed as part of a major R&D investment by MetService into improved and novel products for the energy market, supported by Technology New Zealand under their Technology for Business Growth Scheme.

metservice.com

Our website continues to go from strength to strength. In June 2007 metservice.com was in the top 20 websites in New Zealand in terms of visitors. Unique visitors were up 42 per cent in the last 12 months and page impressions were up 61% to 5.5 million a month.

To date, metservice.com is placed as the number one weather website, mountain and ski field website, and rural website in New Zealand. It is also rated as the number two marine website in New Zealand.

We made some excellent additions to our website in this financial year. A farming specific section was launched in November 2006. In eight weeks we became the number one rural section/website in New Zealand and now enjoy more than 50,000 unique visitors to this section of our website each month. We also revamped our ski field section, and have introduced the latest Weatherscape clips.

MARINE SAFETY

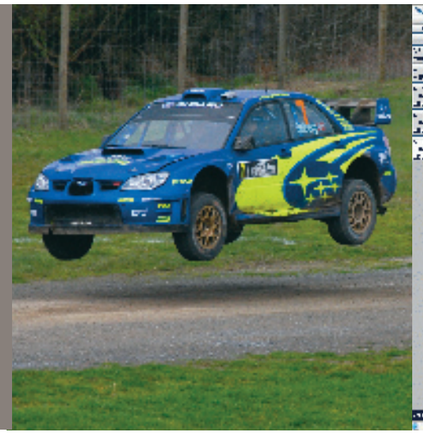
90%

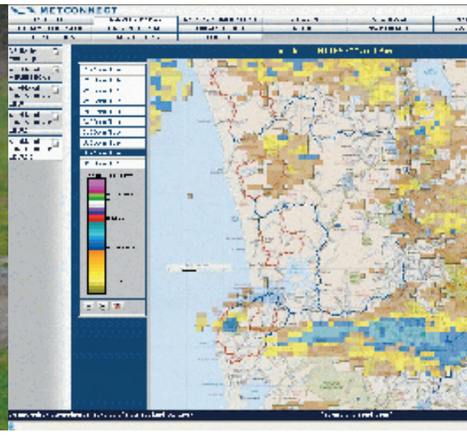
of New Zealand's principal recreational marine areas are covered by specific forecasts

Check your forecast at www.metservice.com

"Subaru races in 16 countries each year and your consultancy MetConnect and follow up service is the best I have experienced in the world."

Ken Rees,
Subaru World Rally Team,
coordinator





Above from left, Ian McEwan, General Manager – Finance and Russell Turner, Chief Information Officer.

Opposite page, MetService's versatile MetConnect product was customised to provide valuable weather data and forecasts during the Rally of New Zealand.

Investment in Infrastructure

We continue to have a strong commitment to investing in infrastructure to ensure that MetService has a strong platform from which to provide the best quality services to our customers.

Quality Certification

This year we maintained both the ISO 9001 Quality Certification and CAA Rule Part 174 Certification, after external audits. These certificates are essential to MetService's Quality Systems infrastructure.

Communications Infrastructure

This year we reviewed MetService's communications infrastructure, and the preparedness of the IT systems to support Business Continuity and Disaster Recovery. This has led us to implement a series of projects to upgrade and replace systems in both those areas. We have also introduced strategic projects to support the migration of processing for customers from the current legacy systems to newer systems.

In the last year we have invested approximately $1.5 million into improving the resilience of critical services with a purpose built Data Centre, IP voice and secure remote access technologies. In the coming year, capital investment of approximately $1 million has been budgeted for further upgrades to IT infrastructure.

Weather Radar

In the next three years we will install new weather radars in Taranaki, Bay of Plenty and in the Gisborne/Hawke's Bay region. We are planning to have the first of these new radars operating in Taranaki by the middle of 2008, with the other two following in the next couple of years.

Weather radars provide real time information on the location and intensity of precipitation and having these additional radars will mean that 80% of the North Island will have radar coverage. Further radar installations are being considered for the South Island.

Industry Leadership

In support of New Zealand and Pacific Island meteorological services MetService has completed the following projects:

- Installation of a new processing system at the upper air station on Raoul Island. This enables the use of the new generation radiosondes.
- A programme to repair and upgrade aging weather, climate, upper air observation, and telecommunication equipment in the Pacific.
- Restoration of the fire-damaged wind-finding radar at Rarotonga, and the repair of the M28 hydrogen generator.
- Refurbishment and upgrade of the Honiara upper air facility.

These restorations mean that all five Pacific Island upper air stations are now fully operational for the first time since the 1990s.

MetService representatives continued to show industry leadership, participating at various conferences this year including:

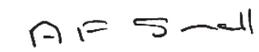
- lecturing at a WMO Region 3 CLIMAT seminar,
- presiding over the 13th session of the Commission for Aeronautical Meteorology,
- participation at the Extraordinary Session of the Commission for Basic Systems and the associated technical conference on the WMO Information System where a paper was presented,
- delivery of a paper to the 2nd THORPEX International Science Symposium,
- participation at the 15th Congress of WMO, and
- participation at the 14th Session of the Commission for Instruments and Methods of Observation.

The 2006 meteorologist training course was completed with all students sitting their final Victoria University examinations. The students are now working as operational forecasters.

This year saw the retirement of MetService's first Chief Executive, John Lumsden, after over fourteen years at the helm of the Company. Our success to date is due in no small measure to his enthusiasm, vision, business acumen and leadership.

MetService's Deputy Chair, Dr Margo Buchanan-Oliver, completed her second term as a director and stood down from the board. We thank her for her contribution to the success of the Company.

It is exciting and encouraging to witness the successes and results for MetService in this financial year. We would like to thank our loyal customers for their continued support and welcome our new customers on board; it is a great honour to work with so many professional and successful organisations. We would also like to thank all MetService employees for their commitment, enthusiasm and dedication. We look forward to working with all of you as we head into another exciting year.



Francis Small, Chairman

Paul Reid, Chief Executive

Chairman's Awards were given to employees to recognise results well beyond normal job expectations.





Above from left, Chairman's Award recipients Erick Brenstrum, Steve Ready.

Opposite page from left, Chairman's Award recipients Leigh Matheson, Bob McDavitt and Gordon Saggers.

Bob McDavitt, Erick Brenstrum, Leigh Matheson, Steve Ready, Nic Weston, Trevor Richardson. For contribution to the Constable Exhibition sponsorship.

In April 2006 MetService agreed to sponsor the Te Papa Constable Exhibition. This involved a cash grant plus involvement in agreed activities.

Bob McDavitt was the project manager and liaised with the Te Papa people to organise our level of involvement in agreed activities. These included lectures on the weather and Constable, a children's activity session, and floor lectures. Bob did an excellent job in managing MetService's involvement in this event. Bob also produced a CD on "Nature, Art and Science" in which Constable's paintings were morphed into MetService cloud photos.

Erick Brenstrum presented a keynote opening lecture on "Extreme Weather" and two evening lectures on the "Plumpness of Cumulus Clouds" to art students, teachers and artists, explaining the meteorology in Constable's paintings.

Leigh Matheson arranged and conducted weather experiments for the children's discovery hour and some of the children's weather art was collected and sent to WMO.

Steve Ready, Nic Weston and Bob McDavitt were involved in "floor" evening lectures – taking groups around the paintings and explaining the meteorology.

Trevor Richardson assisted with the production of the CD on "Nature, Art and Science".

Gordon Saggers For undertaking an important site survey in extreme conditions.

A road weather services opportunity called for 31 weather stations located along ice-prone roads throughout the North and South Islands, and over a period of some 10 days in June 2006 Gordon visited each of the sites to assess siting, power and communications options. This was essential information for our tender response and costing.

Getting around the sites – including a road trip of 4,744 km – was exceptionally demanding, with severe weather encountered in both islands. Snow and ice on central North Island roads proved to be just a mild precursor to what lay ahead when Gordon moved on to the South Island in the immediate aftermath of the severe Canterbury snowstorm. Equipped with a 4WD vehicle and tyre chains, Gordon drove pretty much every highway in the South Island, from Wallacetown near Invercargill in the far south, to Riwaka in the north, across the Haast and Lindis Passes and high on the Arthur's and Lewis Pass roads.

The distances involved, and the widespread snow and ice, made for demanding driving and on-the-fly re-routing to accommodate weather and road closures.

Normally, such extreme conditions would have prompted us to postpone such a trip, but because of the urgent requirement and commercial importance of the site survey Gordon cheerfully opted to go ahead, and our tender response was more complete as a result.






Above from left, Chairman's Award recipients Nic Weston, Trevor Davie and Greg Reeve.

Opposite page from left, Directors John Hercus, Joanne Keestra and Graham Hill.

Greg Reeve
For personal commitment and outstanding services rendered to a key customer.

Greg has consistently gone above and beyond the requirements of his job with the level of service matched by his enthusiasm in his day to day dealings with the RNZAF. From teaching the new entrants about the wonders of meteorology as part of the stringent pilot's training courses, to blowing his trumpet as part of the RNZAF Ohakea military band, Greg has ingrained himself as both a professional and essential service provider by RNZAF personnel of all ranks.

Spending more than 58 days under canvas in 2006 on operational deployments, at the request of various squadrons he actively supports, is testament to his dedication and willingness to go the extra mile.

Working in relative isolation at Ohakea, away from the support of colleagues and mentors, has made Greg's work all the more challenging and his performance more notable.

He is highly respected by the RNZAF and continues to expand his role in training and support fields, cementing his role as an essential element in RNZAF training and the operational environment.

Trevor Davie
For project management of the Paraparaumu Workshop extensions.

Trevor enthusiastically took on this task, which gave him the opportunity to ensure that the extensions achieved the improvements in workspace and working environment that were essential for the growing electronics maintenance operation. Trevor worked closely with the architect during the design phase and through the tendering of the work, and with the builder and sub trades throughout the project. Managing the project was no simple task – the nature of the existing building made aspects of the construction challenging and Trevor liaised closely with the builders to solve problems and make detail changes as the need arose, while always keeping a close eye on the budget.

The end result – a truly professional technical maintenance environment, completed within budget – is a credit to Trevor's management of the project, his attention to detail, problem solving and negotiation skills, ability to work productively with all the tradesmen, and his careful attention to the budget and costs.

Report of the Directors to the Shareholders

The Directors have pleasure in presenting the Annual Report, together with the audited financial statements of Meteorological Service of New Zealand Limited for the year ended 30 June 2007.

Business Activities

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

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

Results of Operations

	2007 $000	2006 $000
Net Surplus attributable to Shareholders	2,356	2,793
Interim Dividends Paid	(800)	(850)
Final Dividends Paid or Declared	(2,476)	(2,287)
Retained Earnings at beginning of the year	1,943	2,287
Retained Earnings at end of year	1,023	1,943

Changes In Capital

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

Auditor

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

During the year, amounts received or due and receivable by PricewaterhouseCoopers were: Meteorological Service of New Zealand Limited – Audit $58,223 (2006: $35,359) and Other Services $Nil (2006: $Nil), and Metra Information Limited – Audit $9,000 (2006: $9,000)

Remuneration of Employees

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

$000s	Number
100 – 109	8
110 – 119	6
120 – 129	2
140 – 149	1
160 – 169	3
170 – 179	1
190 – 199	1
260 – 269	1

Directors

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

For, and on behalf of the Board, which authorised the issue of the financial report on 21 August 2007.

A F Small, Chairman

T Jamison, Director



Above from left, Directors Shale Chambers, Polly Schaverien and Tom Jamison.

Directors' Remuneration

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

Francis Small:	38,000
Margo Buchanan-Oliver:	7,917
John Hercus:	21,875
Tom Jamison:	24,188
Graham Hill:	21,875
Joanne Keestra:	22,250
Polly Schaverien:	26,250
Shale Chambers:	28,854

$10,000 of the remuneration provided in 2006 was paid in 2007. No remuneration was paid to directors in their capacity as directors of Metra Information Limited.

Directors' Interests

Interests Register

Francis Small
Director Antarctica New Zealand Ltd, Chairman Centre for Advanced Engineering, Shareholder/Director Murray King & Francis Small Consultancy, Councillor WelTec.

Shale Chambers
Trustee Auckland Energy Consumer Trust, Director Vector Ltd, Director NGC Holdings Ltd, Director Vector Communications Ltd, Partner ChambersCraigJarvis.

Tom Jamison
Director Sustema Consulting.

Joanne Keestra
Shareholder/Director Keestra Consulting, Shareholder/Director Aviation Consulting Partners.

Polly Schaverien
Trustee Correspondence School of New Zealand.

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

Graham Hill
Director NIWA, Council Member UNITEC.

Directors' Loans

There were no loans by the Company to directors.

Directors' Insurance

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

Donations

The Company has made no donations in the latest financial year.

Changes in Accounting Policies

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

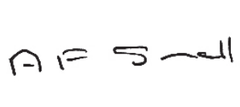
Meteorological Service of New Zealand Ltd Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
REVENUE					
Operating Revenue		31,336	29,572	28,370	27,279
Interest Revenue		149	162	133	146
Total Revenue		**31,485**	**29,734**	**28,503**	**27,425**
OPERATING EXPENSES					
Audit Fees		67	44	58	35
Costs of Operating Leases and Renting Items		525	483	460	473
Directors' Fees		181	214	181	214
Loss (Gain) on Sale of Fixed Assets		(1)	4	1	6
Bad Debts Written Off		48	2	48	2
Bad Debts Recovered		(1)	(6)	(1)	(6)
Movement in Doubtful Debt Provision		(40)	40	(40)	40
Software Development Expenditure		66	110	47	99
Depreciation – Buildings		52	50	52	50
Depreciation – Computer Equipment		2,504	2,716	1,937	2,260
Depreciation – Furniture and Fittings		47	46	45	45
Depreciation – Buildings on Leasehold Land		21	22	21	22
Depreciation – Meteorological Equipment		230	218	230	218
Depreciation – Motor Vehicles		32	35	32	35
Depreciation – Office Equipment		19	20	17	17
Depreciation – Plant and Equipment		39	41	39	41
Interest Expense		296	314	296	308
Other Operating Expenses		23,864	21,182	21,177	19,797
Total Operating Expenses		**27,949**	**25,535**	**24,600**	**23,656**
Surplus before Taxation		**3,536**	**4,199**	**3,903**	**3,769**
Taxation Expense	2	(1,180)	(1,406)	(1,296)	(1,261)
NET SURPLUS		**2,356**	**2,793**	**2,607**	**2,508**

Meteorological Service of New Zealand Ltd Statement of Financial Position

AS AT 30 JUNE 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
EQUITY					
Capital	5	5,000	5,000	5,000	5,000
Retained Earnings	17	1,023	1,943	(51)	618
Total Equity		**6,023**	**6,943**	**4,949**	**5,618**
LIABILITIES					
Accounts Payable and Accruals	6	5,083	4,869	4,471	4,510
Provisions	19	429	436	429	436
Directors' Fees Payable		57	57	57	57
Income Taxation Payable		-	-	66	-
Provision for Dividend		1,650	-	1,650	-
Total Current Liabilities		**7,219**	**5,362**	**6,673**	**5,003**
Loan	11	4,000	4,000	4,000	4,000
Total Non Current Liabilities		**4,000**	**4,000**	**4,000**	**4,000**
TOTAL LIABILITIES AND EQUITY		**17,242**	**16,305**	**15,622**	**14,621**
ASSETS					
Cash on Hand at Bank		270	614	77	120
Accounts Receivable – Trade		3,142	3,218	2,570	2,785
Accounts Receivable – Other		691	647	522	547
Amounts Owing from Subsidiary	14	-	-	516	527
Deposits		1,567	1,955	1,567	1,955
Inventories		457	373	457	373
Income Taxation Receivable		320	643	-	492
Total Current Assets		**6,447**	**7,450**	**5,709**	**6,799**
Deferred Taxation	2	597	695	599	683
Fixed Assets	3	10,198	8,160	9,314	7,139
Total Non Current Assets		**10,795**	**8,855**	**9,913**	**7,822**
TOTAL ASSETS		**17,242**	**16,305**	**15,622**	**14,621**

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 21 August 2007.



A F Small, Chairman

T Jamison, Director

Meteorological Service of New Zealand Ltd Statement of Movements in Equity and Statement of Cash Flow

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
EQUITY AS AT 1 JULY		**6,943**	**7,287**	**5,618**	**6,247**
Net Surplus		2,356	2,793	2,607	2,508
Total Recognised Revenues and Expenses		**2,356**	**2,793**	**2,607**	**2,508**
DIVIDENDS PAYABLE IN CASH					
Interim Dividends	16	(800)	(850)	(800)	(850)
Final Dividends	16	(2,476)	(2,287)	(2,476)	(2,287)
Total Dividends		**(3,276)**	**(3,137)**	**(3,276)**	**(3,137)**
Movement in Equity for the Year		**(920)**	**(344)**	**(669)**	**(629)**
EQUITY AS AT 30 JUNE		**6,023**	**6,943**	**4,949**	**5,618**

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2007			Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
CASH FLOW FROM OPERATING ACTIVITIES						
Cash was Provided from:	Receipts from Customers		31,645	30,210	28,679	27,539
	Interest Received		141	162	125	146
Cash was Applied to:	Payments to Suppliers & Employees		(24,970)	(21,915)	(22,224)	(20,598)
	Interest Paid		(271)	(284)	(271)	(284)
	Income Taxation Paid		(760)	(2,325)	(655)	(2,021)
Net Cash Inflows from Operating Activities		4	**5,785**	**5,848**	**5,654**	**4,782**
CASH FLOW FROM INVESTING ACTIVITIES						
Cash was Provided from:	Proceeds from Liquidated Deposits		388	925	388	925
Cash was Applied to:	Purchase of Fixed Assets		(4,891)	(3,414)	(4,459)	(2,520)
Net Cash Outflows from Investing Activities			**(4,503)**	**(2,489)**	**(4,071)**	**(1,595)**
CASH FLOW FROM FINANCING ACTIVITIES						
Cash was Applied to:	Dividends		(1,626)	(3,137)	(1,626)	(3,137)
Net Cash Outflows from Financing Activities			**(1,626)**	**(3,137)**	**(1,626)**	**(3,137)**
Net (Decrease)/Increase in Cash Held			**(344)**	**222**	**(43)**	**50**
Add Opening Cash Brought Forward			614	392	120	70
ENDING CASH CARRIED FORWARD			**270**	**614**	**77**	**120**

Meteorological Service of New Zealand Ltd Notes to the Financial Statements

Meteorological Service of New Zealand Ltd Notes to the Financial Statements

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity Meteorological Service of New Zealand Limited (the "Parent") and the consolidated financial statements of the group comprising Meteorological Service of New Zealand Limited and the wholly owned subsidiary Metra Information Limited (together the "Group"). The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State Owned Enterprises Act 1986.

A. General Accounting Policies

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

B. Particular Accounting Policies

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

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

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

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

Fixed Assets
The cost of purchased property, plant and equipment is valued at the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The cost of self constructed assets includes the cost of all materials used in construction, direct labour on the project and an appropriate portion of variable and fixed overheads.

Distinction between costs that are Capitalised and Expensed
Capital expenditure is defined as all expenditure on the creation of a fixed asset, and any expenditure which results in a significant improvement in the formation of a fixed asset. Computer software, either purchased or developed by the Company for its own use, is capitalised in the year in which the expenditure is incurred.

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

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

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

Buildings	2.5 – 8.3%
Computer Equipment and Software	33.3%
Furniture and Fittings	20.0%
Leasehold Property	3.1 – 5.0%
Meteorological Equipment	10.0 – 33.0%
Motor Vehicles	20.0%
Office Equipment	20.0 – 33.0%
Plant and Equipment	10.0 – 33.0%

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

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

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

Deferred taxation resulting from timing differences is adjusted against the surplus for the year using the liability method of calculation applied on a comprehensive basis. A deferred taxation benefit relating to any taxation losses is only recognised if there is virtual certainty of realisation.

Leases
Operating lease payments, where lessors retain substantially all the risk or benefit of ownership of the leased items, are recognised as an expense in the periods the amounts are payable.

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

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

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

Financial Instruments
Financial instruments carried on the Statement of Financial Position include cash and bank balances, accounts receivable, accounts payable and borrowings. These financial instruments are recognised at the lower of cost or net realisable value. Financial instruments with off balance sheet risk entered into as hedges of an underlying exposure to fluctuations in foreign currency exchange rates are accounted for on the same basis as the underlying exposure. Financial instruments entered into with no underlying exposure are accounted for on a mark-to-market basis, with any reduction, gain or loss recognised in the Statement of Financial Performance.

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

i) Cash is considered to be cash on hand and current accounts in banks.

ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

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

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

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

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

Principles of Consolidation
The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 2007 using the purchase method.

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

All significant transactions between Group companies are eliminated on consolidation.

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

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

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

2 TAXATION EXPENSE

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Surplus before Tax	**3,536**	**4,199**	**3,903**	**3,769**
Prima Facie Taxation thereon at 33 per cent	1,167	1,386	1,288	1,244
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Legal Fees	5	-	-	-
Non-Deductible Expenditure	29	24	29	24
Prior Year Adjustment	(21)	(4)	(21)	(7)
Taxation Expense	**1,180**	**1,406**	**1,296**	**1,261**
Prior Year Adjustment	(21)	(4)	(21)	(7)
Current Taxation	1,178	1,570	1,295	1,413
Deferred Tax	23	(160)	22	(145)
Taxation Expense	**1,180**	**1,406**	**1,296**	**1,261**
Deferred Taxation				
Opening Balance	695	517	683	544
On Surplus for the Year	(23)	160	(22)	145
Prior Year Adjustment	(75)	18	(62)	(6)
Closing Balance	**597**	**695**	**599**	**683**
Imputation Credit Account				
Imputation Credit Account 1 July	1,936	1,130	1,059	564
Income Taxation Paid during the Year (net of tax refunds)	750	2,351	-	2,040
Imputation Credits attached to Dividends Paid during the Year	(801)	(1,545)	(42)	(1,545)
Imputation Credit Account as at 30 June	**1,885**	**1,936**	**1,017**	**1,059**

3 FIXED ASSETS		Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Land	Cost	118	118	118	118
	Accumulated Depreciation	-	-	-	-
	Book Value	118	118	118	118
Land – Leasehold	Cost	447	447	447	447
	Accumulated Depreciation	(334)	(313)	(334)	(313)
	Book Value	113	134	113	134
Buildings	Cost	670	470	670	470
	Accumulated Depreciation	(142)	(129)	(142)	(129)
	Book Value	528	341	528	341
Buildings on Leasehold Land	Cost	1,588	1,566	1,588	1,566
	Accumulated Depreciation	(607)	(567)	(607)	(567)
	Book Value	981	999	981	999
Furniture and Fittings	Cost	754	722	733	706
	Accumulated Depreciation	(615)	(597)	(605)	(591)
	Book Value	139	125	128	115
Computer Equipment and Software	Cost	19,683	17,596	17,260	15,604
	Accumulated Depreciation	(15,705)	(13,873)	(14,129)	(12,857)
	Book Value	3,978	3,723	3,131	2,747
Meteorological Equipment	Cost	8,149	7,735	8,149	7,735
	Accumulated Depreciation	(6,619)	(6,387)	(6,619)	(6,387)
	Book Value	1,530	1,348	1,530	1,348
Motor Vehicles	Cost	242	204	242	204
	Accumulated Depreciation	(155)	(122)	(155)	(122)
	Book Value	87	82	87	82
Office Equipment	Cost	243	209	223	197
	Accumulated Depreciation	(174)	(172)	(166)	(167)
	Book Value	69	37	57	30
Plant and Equipment	Cost	499	539	497	537
	Accumulated Depreciation	(353)	(369)	(352)	(369)
	Book Value	146	170	145	168
Capital Work in Progress	Internally Developed Software (Note 10)	829	849	829	849
	External Purchased Software and Equipment	1,680	234	1,667	208
TOTAL NET BOOK VALUE		**10,198**	**8,160**	**9,314**	**7,139**

Meteorological Service of New Zealand Ltd Notes to the Financial Statements

4 RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
NET SURPLUS	**2,356**	**2,793**	**2,607**	**2,508**
Non Cash Items				
Loss (Gain) on Disposal of Fixed Assets	(1)	4	1	6
Depreciation	2,944	3,148	2,373	2,688
Donated Fixed Asset	(90)	-	(90)	-
Movement in Deferred Taxation	98	(178)	84	(139)
Total Non Cash Items	**2,951**	**2,974**	**2,368**	**2,555**
Movements in Working Capital				
Decrease (Increase) in Receivables	32	(193)	251	(385)
Increase (Decrease) in Accounts Payable and Accruals	207	815	(46)	525
Increase (Decrease) in Income Taxation	323	(741)	558	(621)
(Increase) Decrease in Inventories	(84)	200	(84)	200
Total Movement in Working Capital	**478**	**81**	**679**	**(281)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**5,785**	**5,848**	**5,654**	**4,782**

5 CAPITAL

Authorised, Issued and Fully Paid Capital Consists of 5,000,000 Ordinary Shares	**5,000**	**5,000**	**5,000**	**5,000**

Share Issue Details and Rights

Ordinary shares: As at 30 June 2007 there were 5,000,000 shares issued and fully paid (2006: 5,000,000). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

6 ACCOUNTS PAYABLE AND ACCRUALS

Sundry Creditors and Accruals	2,041	1,847	1,813	1,675
Accounts Payable, including PAYE and GST	788	1,299	824	1,313
Employee Entitlements	1,309	1,215	1,309	1,215
Income in Advance	945	508	525	307
TOTAL ACCOUNTS PAYABLE AND ACCRUALS	**5,083**	**4,869**	**4,471**	**4,510**

7 CAPITAL COMMITMENTS

There are capital commitments of $644,598 outstanding at the balance date. (2006: $nil).

8 SEGMENT INFORMATION

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

Meteorological Service of New Zealand Ltd Notes to the Financial Statements

9 LEASE COMMITMENTS

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Non-Cancellable Operating Lease Commitments are:				
0-1 Year	140	134	140	134
1-2 Years	80	106	80	106
2-5 Years	109	145	109	145
5 Years and Over	54	71	54	71

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.

10 SOFTWARE DEVELOPMENT COSTS

Incomplete Software Projects as at 1 July	849	789	849	789
Software Development Costs Incurred During the Year	1,810	1,672	1,810	1,672
Cost of Software Sold to External Parties or Written Off	(39)	(112)	(39)	(112)
Software Development Costs Capitalised to Fixed Assets	(1,791)	(1,500)	(1,791)	(1,500)
INCOMPLETE SOFTWARE PROJECTS AS AT 30 JUNE	**829**	**849**	**829**	**849**

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

11 LOAN

Unsecured Bank Loan	**4,000**	**4,000**	**4,000**	**4,000**

On 30 June 1998, Meteorological Service of New Zealand Limited entered into a term loan agreement with the Westpac Banking Corporation. This agreement was extended on 30 June 2005. The term loans mature between 30 June 2008 and 30 June 2009. The Group intends extending the loans on maturity. The interest rates are fixed. The average interest rate for the loans as at 30 June 2007 is 7.48% (2006: 7.28%).

12 FINANCIAL INSTRUMENTS

Nature of Activities and Management Policies With Respect to Financial Instruments

Forward Contract Agreements
At balance date the notional principal or contract amounts of outstanding foreign currency agreements were (NZD): nil.

The Group undertakes transactions denominated in foreign currencies from time to time and, resulting from these activities, incurs exposures to foreign currency risks. It is the Group's policy to hedge foreign currency risks as they arise. The Group uses forward and spot foreign exchange contracts to manage these exposures.

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

In the normal course of business amounts due from the Ministry of Transport represent a significant account receivable; however, it is not regarded as a significant concentration of credit risk.

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

Interest Rate Risk
The Group's short term deposits are at fixed interest rates and mature within 30 days.

The Group has long term fixed rate borrowings which are used to fund ongoing activities. Interest rate exposure is maintained on a fixed rate basis.

Fair Values

Forward Contract Agreements
At balance date the fair value of outstanding foreign currency agreements were (NZD): nil (2006: nil).

There were no other differences between the fair value and the carrying amounts of financial instruments at 30 June 2007 (2006: $nil).

The parent has a money market facility of $1,000,000 available, of which it had drawn down $nil as at 30 June 2007 (2006: $nil).

13 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.

14 RELATED PARTY TRANSACTIONS

During the year, the Parent provided certain meteorological services to the Ministry of Transport under a significant contract

Meteorological Service of New Zealand Limited also undertakes transactions with other State 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.

The Parent develops computer software products, some of which were acquired by its subsidiary, Metra Information Limited. These acquisitions were made on normal commercial terms and amounted to $289,258 (2006: $812,424). A balance owed of $201,220 (2006: $241,695) was outstanding at the year end.

During the year the Parent was reimbursed for expenses it incurred on behalf of Metra Information Limited, amounting to $1,282,159 (2006: $597,960). A balance owed of $515,647 (2006: $527,457) was outstanding at the year end.

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

15 INVESTMENT IN SUBSIDIARY

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

16 DIVIDEND

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Interim Dividends				
Interim Dividends Relating to Current Year	(800)	(850)	(800)	(850)
Final Dividends				
Final Dividend Relating to Prior Year	(826)	(2,287)	(826)	(2,287)
Final Dividends				
Final Dividend Relating to Current Year (approved 19 June 2007)	(1,650)	-	(1,650)	-
TOTAL DIVIDENDS PAID OR DECLARED	**(3,276)**	**(3,137)**	**(3,276)**	**(3,137)**

17 RETAINED EARNINGS CARRIED FORWARD

Retained Earnings				
Retained Earnings Brought Forward	1,943	2,287	618	1,247
Operating Surplus for the Year	2,356	2,793	2,607	2,508
Dividends Paid During the Year	(3,276)	(3,137)	(3,276)	(3,137)
RETAINED EARNINGS CARRIED FORWARD	**1,023**	**1,943**	**(51)**	**618**

18 CONTINGENT LIABILITIES

Meteorological Service of New Zealand Limited has no contingent liabilities as at 30 June 2007 (2006: $nil).

Meteorological Service of New Zealand Ltd Notes to the Financial Statements

19 PROVISIONS

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Campbell Island Provision				
Opening Balance as at 1 July	166	161	166	161
Movement in Provision	4	5	4	5
Closing Balance as at 30 June	170	166	170	166
Termination Leave Provision				
Opening Balance as at 1 July	270	270	270	270
Movement in Provision	(11)	-	(11)	-
Closing Balance as at 30 June	259	270	259	270
TOTAL PROVISIONS AS AT 30 JUNE 2007	**429**	**436**	**429**	**436**

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

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

20 INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the Accounting Standards Review Board announced that New Zealand's reporting entities would be required to apply New Zealand equivalents to International Financial Reporting Standards for reporting periods after 1 January 2007. Meteorological Service of New Zealand Limited will adopt NZ IFRS with effect from 1 July 2007; the first audited NZ IFRS financial statements will cover the period to 30 June 2008, with comparative information for the period commencing 1 July 2006.

Upon first time adoption of NZ IFRS, comparative information will be restated in NZ IFRS compliant financial statements. Details of the impacts of the adoption to comparative information will be set out in those financial statements. An initial review of the key accounting and business impacts of adopting NZ IFRS has been completed.

An overview of the most significant differences in accounting policies that are expected to impact the Group on adoption of NZ IFRS are:

Classification of Computer Software Assets
Under NZ IFRS where software is not an integral part of the related hardware, computer software is treated as an intangible asset. On adoption software assets will be reclassified from fixed assets to intangible assets.

Taxation
Under NZ IFRS, deferred tax will be calculated using a "balance sheet" approach which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items rather than the accounting and tax values recognised in the Statement of Financial Performance. It is expected that on adoption of NZIFRS additional deferred tax balances will be recognised.

However, NZ IFRS and Meteorological Service of New Zealand Limited's intended accounting treatments are subject to ongoing review. Consequently Meteorological Service of New Zealand Limited is currently unable to reliably quantify the impact on the financial performance or position at this time. As such, the actual impact of adopting NZ IFRS may vary and that variation may be material.

Audit Report to the readers of Meteorological Service of New Zealand Ltd and Group's Financial Statements for the year ended 30 June 2007

The Auditor-General is the auditor of Meteorological Service of New Zealand Limited ("the Company") and the Group comprising the Company and its subsidiaries. The Auditor-General has appointed me, Karen Shires, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group, on his behalf, for the year ended 30 June 2007.

Unqualified Opinion
In our opinion:

- The financial statements of the Company and Group on pages 25 to 34:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the Company and Group's financial position as at 30 June 2007; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 23 August 2007, and is the date at which our opinion is expressed.

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

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

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

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

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

Audit procedures generally include:

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

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

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

Responsibilities of the Board of Directors and the Auditor
The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2007. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

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

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

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

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

PricewaterhouseCoopers

Meteorological Service of New Zealand Ltd Key Performance Indicators

FOR THE YEAR ENDED 30 JUNE 2007	Statement of Corporate Intent Target	Actual 2007	Actual 2006
Net Surplus attributable to Shareholders	$1,904,000	$2,356,000	$2,793,000
Net Surplus attributable to Shareholders : Average S/H Funds	30.6%	36.4%	39.3%
EBIT : Total Tangible Assets	20.4%	22.1%	27.9%
Current Ratio	0.79:1	0.89:1	1.39:1
Equity Ratio	40.0%	34.9%	42.6%
Net Surplus attributable to Shareholders : Total Sales	6.3%	7.5%	9.4%
Accounting Value of Crown's Investment	$5,963,000	$6,023,000	$6,943,000
Probability of Detection (POD)	**Minimum**		
Heavy Rain	75%	89%	91%
Heavy Snow	75%	95%	91%
Severe Gales	75%	90%	92%
False Alarm Ratio (FAR)	**Maximum**		
Heavy Rain	40%	23%	29%
Heavy Snow	40%	21%	16%
Severe Gales	40%	18%	23%

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

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

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

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

Warnings of heavy rain are issued when:

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

Warnings of heavy snow are issued when:

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

Warnings of severe gales are issued when:

- sustained winds are expected to exceed 90 kilometres per hour or gusts exceed 110 kilometres per hour, over land

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