



*A world of valuable information*



enthusiasm



**Growing worldwide**  
*through customer appreciation of our  
valuable and  
innovative services.*

*Profitable and well managed with*  
**enthusiastic**  
*and highly skilled staff  
dedicated to the success of their company.*

**A recognised leader**  
*in weather and  
information presentation services.*

**vision**

*A world of valuable information*



#### **This Year's Key Achievements**

- MetService celebrated another record net profit for the sixth successive year. This year's net profit after taxation was \$3.59 million.
- Continued expansion of the Chinese aviation market for specialised products.
- Metra brand continued to gain recognition in specialised information presentation services for newspapers.
- Enhancement of television graphics capability and expansion into the Australian media.
- Launch of a WeatherFax service in Sydney, in conjunction with the Daily Telegraph newspaper.
- We again exceeded performance targets in warnings of heavy rain, snow, and severe gales, and also improved in all areas over the previous year's performance.
- MetService hosted four World Meteorological Organization meetings in Wellington.

# chairman's report

On behalf of the Board of Directors, I have pleasure in reporting that MetService celebrated its sixth anniversary on 30 June 1998 with record after tax profit for the sixth successive year. This year's net profit after taxation of \$3.59 million, slightly above last year's result of \$3.56 million, is a pleasing result in view of the increasingly competitive market for meteorological and information presentation services. Revenues increased from \$23.4 million last year to \$23.6 million, with increased contributions from the media, industry, consultancies and 0900 services.

**Balance sheet restructuring** At the conclusion of the financial year, the Company undertook a major balance sheet restructuring. A \$5 million dividend was paid to shareholders on 30 June 1998 which, together with normal dividends, brings the total shareholder distributions for the year ended 30 June 1998 to \$7.5 million. In the course of this transaction the Company raised a \$1 million term loan, and arranged a further \$1 million facility for short-term advances. This transaction enhances shareholder value by reducing the Company's cost of capital.



**Business situation** Developing and maintaining new business is becoming increasingly tough in domestic and international markets. Competitors are active and customers are more discerning. Business is being both won and lost by MetService and its competitors. During the year, we lost the high profile Radio New Zealand business when they selected a local competitor to provide the forecasts for National Radio.

In addition to competitive win-lose situations, margins are reducing in some core areas. Price reductions were agreed with both the Minister of Transport and the RNZAF. In the latter case, price reductions and cost savings were achieved by migrating the customer to a more technology-intensive solution based on systems used by commercial airlines.

**Forecasting performance** Close attention is paid to forecast verification in order to ensure that the highest level of skill is maintained. This year, we again exceeded performance targets in warnings of heavy rain, snow and severe gales, and also improved in all areas over the previous year's performance. The El Niño conditions did help predictability, particularly for heavy rainfall, where our probability of detection reached an all time high of 91%.

**Core business improvements** MetService is constantly seeking means to improve its core forecasting tools. This year we commissioned "SNOWIE", an in-house technology development that enables forecasters to prepare digital meteorological charts directly on-screen. This replaces a manual system where hand-drawn charts were transferred into various information systems.

## New meteorological products

New services introduced during the year included:

- MetAlert, to which customers subscribe to be informed when a specified weather threshold (temperature, rainfall, wind, etc.) is likely to be exceeded;
- Volcanic Ash Advisory Service, in which MetService will directly inform aviation customers of expected volcanic ash dispersion and distribution in New Zealand airspace; and
- High Water Alerts for regional authorities who are advised when a combination of wind and tide conditions suggest the possibility of coastal flooding.

## Statutory compliance and risk management

A programme to verify compliance with key legislation affecting MetService is nearly completed, as is the establishment of an innovative back-up forecasting capability which can be activated in the event that a disaster prevents use of our main site at Kelburn.

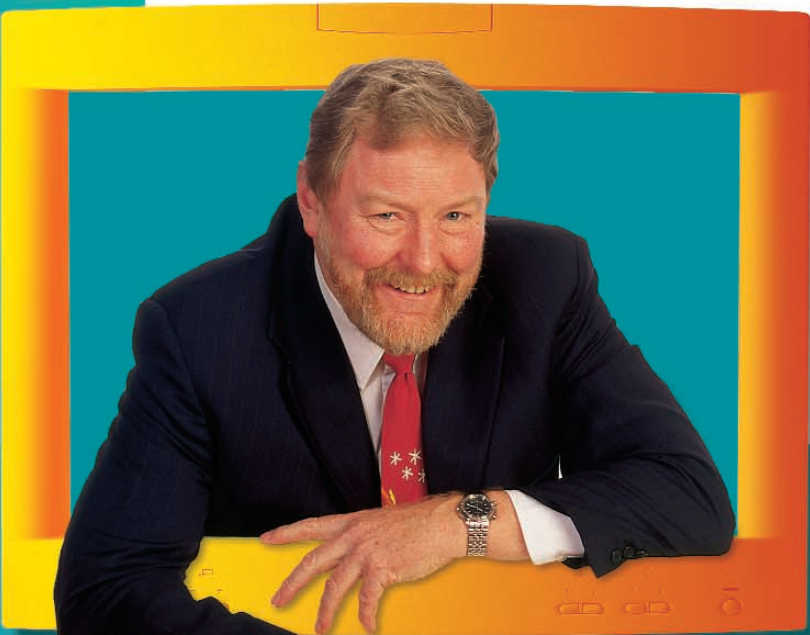
A programme verifying the year 2000 compliance capability of our equipment and systems is under way. We expect that our systems will be fully compliant by the crucial dates, but we have some residual concerns over international systems which supply data for use in forecasting.

**Privatisation** The Government has announced that it will review asset sales on a case by case basis. What this may mean for MetService is not yet clear. However, present strategic directions and management of the Company remain focused on increasing shareholder wealth. We will continue to look for profitable growth opportunities, particularly in the aviation and media markets at home and abroad, and will maintain our "lean and meaningful" philosophy for the organisation.

**Retirement of Chairman** We record with regret the retirement of Richard Westlake from the position of Chairman of the Board on 30 June 1998. Richard was the founding Chairman of MetService six years ago and prior to that served as Chairman of the Establishment Board from 1991. Richard has made an enormous and valuable contribution to the development of the Company and its present successes. His leadership and enthusiasm have been greatly appreciated by fellow directors, management and staff alike. We wish him well for the future.

**Appreciation** Finally, the Board wishes to record its appreciation of the efforts of John Lumsden, our Chief Executive, his management team and staff. This report records the success of their efforts this year. Our result would not have been possible without their enthusiasm and dedication. We acknowledge these with our thanks.

John M Crook  
Chairman



# chief executive's report



MetFax

## Metra

The Metra identity continues to gain recognition. This, coupled with the recently established product development department, assigned specifically to create innovative and robust information enhancement and efficient delivery systems, has given us the capability to expand our worldwide business.

### Information Presentation Services

Significant new business has been developed with media customers. In New Zealand, we have added seven more newspapers to our list of customers using tailored weather graphics services. In Australia we secured business with the Adelaide Advertiser, and in Hong Kong with the South China Morning Post.

Weatherscape, the 3D television weather graphics product developed jointly with Television New Zealand, was enhanced, and supplied to TVNZ's new breakfast news programme, in addition to the nightly news where it was first launched.

In Australia, the Nine Network has selected Weatherscape for its television weather graphics, due to its value adding features such as isobar

animation and realistic terrain rendering. Implementation is scheduled for later in 1998.

We see this as an important recognition of our competence and international competitiveness.

Based on our information presentation skills, products with content unrelated to weather have been successfully marketed to three newspapers under the Metra brand. Television programme listings and sharemarket information are compiled by our Media Graphics Unit, based in Christchurch, which has earned a reputation for reliability and value.

Other new business has been gained within the energy industry, for which MetAlert and MetDirect have been developed. These products allow for selection and display of specific meteorological information of particular interest to the customer.

With the more settled weather associated with El Niño over the last summer, MetPhone revenues did not increase at the rate of previous years. However, increased sales from MetFax were significant as more people become aware of this service.

### International Aviation

We have continued to build on our meteorological skill and industry knowledge by developing services that can support flight operations worldwide, packaging weather information in ways that are convenient and appropriate for the customer. As a result, our international aviation business continues to increase. Additional sales are being made to our existing customers, and services commenced with four new airlines. One of these, Shanghai based China Eastern Airlines, is benefiting from electronic delivery through WINZ, which has proved itself as an aviation industry friendly system.

MetService has had yet another eventful and successful year, exploiting its competence in operational meteorology and information presentation. Weather forecasting performance was commendable, and new markets have been found for our services domestically and internationally. The Metra identity, used for non-governmental activities and non-meteorological products, has been promoted in New Zealand and overseas in the aviation and information presentation markets. Revenue from new business continues to increase, compensating for reductions in income from government customers. A number of issues have been resolved – access to publicly funded data in Australia, conclusion of a Commerce Commission investigation into MetService's activities, and agreement with the Royal New Zealand Air Force for the re-specification of its services.

The major meteorological event of the year was El Niño. This was well communicated, by an active communications programme, publication of seasonal outlooks, and through television.

We believe that we benefit from a weather literate community, and that our programme of speaking engagements, news releases about significant weather events, and participation at marine and agricultural exhibitions is helpful in demystifying meteorology, and promoting understanding of the value and limitations of weather forecasts. These fora also provide an opportunity to promote and demonstrate additional services such as MetFax and WeatherNow, as well as to obtain useful feedback from our customers. During the year we spoke directly to over 15,000 people about

weather forecasting, gave over 800 interviews to the media, answered over 1000 phone and mail queries, and demonstrated our services at six boat, agricultural, and pastoral shows.

MetService is now structured to provide services to the private sector worldwide through its Metra identity and subsidiary company, Metra Information Limited, so keeping these separate from its services for government and government agencies. This eliminates any confusion internationally with sovereign national weather services, and provides a vehicle for marketing products without meteorological content, whilst applying core competencies developed for the attractive presentation and delivery of near real-time information.

WeatherNow

MetATIS



Metra

**Domestic Aviation** MetATIS, a system that automatically broadcasts weather information to pilots over VHF radio, has been developed and installed at Ardmore airport, in Auckland. We expect that this system will prove valuable at other airports, both domestically and internationally, along with its sister product, MetDisplay, which is already in use at many airports around New Zealand.

MetService is certified compliant with Civil Aviation Rules, part 174, which is required in New Zealand for suppliers of meteorological services to the aviation industry. Compliance is subject to annual audit.

**RNZAF** During the year the RNZAF accepted our proposal to deliver specified meteorological products via a WINZ system. This has resulted in important benefits to RNZAF personnel who are able to schedule comprehensive current weather briefings electronically 24 hours per day, at four bases, and at significantly reduced cost. Forecast products are generated and compiled at Kelburn, and their selection and delivery is scheduled by the RNZAF to meet its needs.

## National Weather Services

National Weather Services has as its major customer the Minister of Transport, who purchases a range of services and information to meet the Minister's obligations in accordance with the Meteorological Services Act. One of the most critical services provided is the issuing of warnings of severe weather. This involves considerable meteorological skill, an understanding of the fundamental physics of the atmosphere, the interpretation of numerical weather prediction information and remotely sensed imagery, robust manual and electronic systems and procedures, and knowledge of how weather systems are affected by New Zealand's topography.

## World Meteorological Organization

New Zealand is a member of the World Meteorological Organization (WMO), along with 184 other countries, and MetService's contract with the Minister of Transport requires me to act as New Zealand's Permanent Representative with WMO. In addition to dealing with operational meteorology, the role involves coordination of communications and representation on climate and hydrological matters, and I appreciate the support and participation of the many individuals and institutions involved over the last year.

One of the significant issues facing WMO is the free international exchange of data. There are no restrictions placed on access to, and use of, data MetService collects to produce the forecasts and warnings service specified in the contract with the Minister of Transport. Data, forecasts, and current warnings can be viewed on MetService's web-site, [www.met.co.nz](http://www.met.co.nz).



[www.met.co.nz](http://www.met.co.nz)

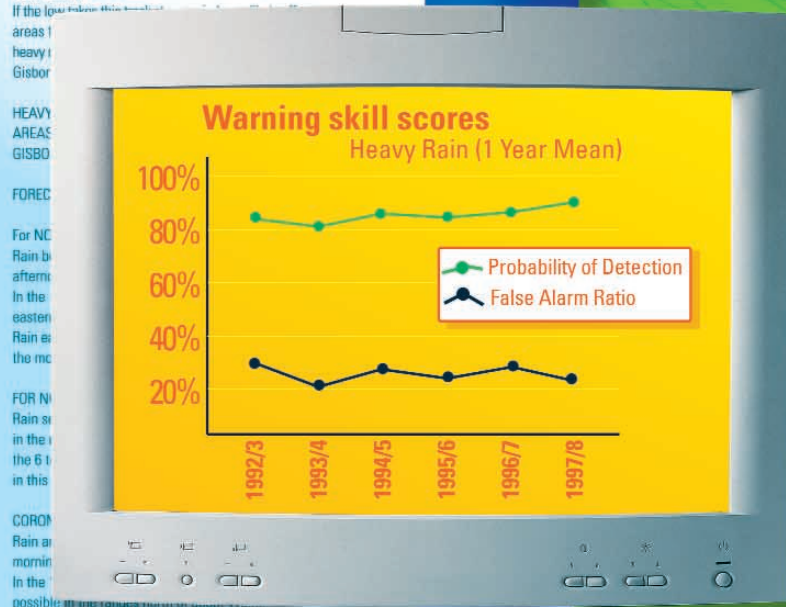


**METSERVICE**

### SPECIAL WEATHER BULLETIN

ISSUED BY MetService  
AT 11:12 am 18-Aug-1998

SITUATION AT 10 am  
A depression centred about 600 kilometres northwest of Cape Reinga is expected to deepen rapidly over the next 12 to 24 hours and is likely to move southeast past the east coast of Northland tomorrow morning to lie just east of East Cape by midnight Wednesday.



We are supporting the continued production of useful and effective forecasts and warnings, in several key areas:

- MetService has its own meteorologist training capability, and this year we have recruited nine trainees from the 113 that applied, as well as four experienced forecasters from overseas.
- Data measured directly, or acquired in the form of images or computer model output, is continually reviewed for its applicability to modern weather forecasting technology. Conversion from tracking weather balloons via the obsolete Omega (low frequency radio) system to the modern precise, but more expensive, Global Positioning System was successfully completed during the year. Arrangements were being concluded at year end for additional data to be acquired from aircraft whilst in flight across the Tasman Sea and on ascent and descent at major New Zealand airports.

We have developed and implemented forecasting software that displays multiple layers of weather information, enables manipulation of the weather analyses and predictions, and produces graphics output.

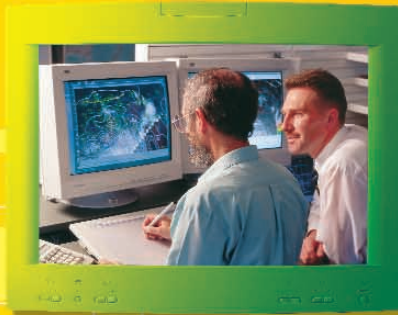
Close attention is paid to forecast verification in order to ensure that a high level of skill is maintained. Verifications of warnings of heavy rain, snow, and severe gales showed that this year, we again exceeded performance targets. The El Niño conditions did help predictability, particularly for heavy rainfall, which will be hard to repeat in a La Niña year.

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

In February, MetService was pleased to host four WMO meetings in Wellington. They covered topics of the Internet and its ramifications for WMO, structure of the Commission for Basic Systems, a WMO Region V (Southwest Pacific) meeting on the implementation of the World Weather Watch programme in the Pacific, and a WMO Region V meeting on climate matters. These meetings also provided participants from several countries with the opportunity to see that this commercially based meteorological service is committed to the objectives of the WMO.

Our experience in operating a meteorological service commercially is being recognised internationally, and during the year we provided consultancy advice on meteorological service structure and operations in three countries, in Africa, Asia, and Oceania.

We continued to provide professional support to the Fiji Meteorological Service, funded through a management services contract with the New Zealand Ministry of Foreign Affairs and Trade. Additionally, this year MetService and the Australian Bureau of Meteorology were subcontractors in a Japanese funded project to upgrade the Regional Specialized Meteorological Centre in Fiji. We installed hardware and forecasting software to complement the Australian systems. These are both good examples of international collaboration in capacity building.



## MetService People

At MetService people matter most. The results achieved by the organisation as it finds innovative ways to increase the wealth of the Company are in very large measure due to the skill and enthusiasm demonstrated by our staff, and the support and advice of the directors. I thank the team for a very successful result, considerably better than we had expected at mid way through the year.

## Outlook

Revenues from sales to government and government agencies are expected to reduce and expansion into Asian markets may be slowed by economic difficulties being experienced not only in that region but by its impact on New Zealand and our trading partners. Despite these concerns, the Company has developed competence in the reliable delivery of valuable products and services, and has found that it can successfully penetrate new markets. While facing competition, domestically and internationally, we expect to continue our growth in sales to the private sector.

John R Lumsden  
Chief Executive

## Notable Performances

MetService recognises notable performance by its staff in a number of ways. The Henry Hill Award recognises the person best demonstrating the enthusiasm and dedication to weather and forecasting in the spirit of the late Henry Hill, a renowned meteorologist of the New Zealand Meteorological Service.

Chairman's Awards recognise employees who achieve results well beyond normal job requirements. The criteria for making an award are that the work must be clearly outstanding, over and above the normal work expectations, and that the work must be relevant to the business of the MetService, and support corporate objectives. This award can be made to an individual or a team.



The Henry Hill Award is not necessarily awarded each year. However, this year Bob McDavitt, MetService's Weather Ambassador, was honoured for his enthusiasm and dedication to weather and forecasting.

- In the past year Chairman's Award recipients were:
- Norm Henry, for thoroughness and dedication in assisting with the transfer of forecasting from Whenuapai to Kelburn;
  - Tony Hawkins, Brian Monks, and Glenn Ross for exceptional dedication and team effort by the Christchurch based Media Graphics Unit in the preparation and provision of a weather graphics service for the Adelaide Advertiser;
  - Andy Downs for contributions to the improvement in aerodrome fog forecasting;
  - Don Hogben and Antony Wardle for exceptional support in installing workstations for the trainee group; and
  - Ralph Pannett for vigilance and a pro-active response to a threat to the Ministry of Transport and MetService radio frequency interests.



## El Niño



**El Niño is the result of a complex interplay of oceanic and atmospheric forces, bringing a pattern of increased volatility to New Zealand's weather.**

Beginning in April 1997, the world's weather experts saw the resurgence of a very strong, significant climate fluctuation. MetService promptly recognised the significance of this event, and as early as May 1997 was advising customers, especially farmers, through its seasonal forecasts to develop contingency plans relevant to their needs for the 1997-98 summer. The above average rainfall of winter over most of the North Island signalled the volatile early stages of El Niño; but it was the benign stage...and its lack of depressions...that brought the havoc.

From mid October 1997 to late February 1998, not a single depression crossed New Zealand; all passed south of the country. The subsequent dry winds resulted in the droughts of Marlborough, and Hawkes Bay. December 1997 was the driest on record. The lack of rainfall brought out the usefulness of longer range forecasts for hill country sheep farmers. At the same time, viticulturists in these same regions boasted some of the best yields ever with El Niño's sunshine and warmth. Conversely, El Niño also brought cool, moist westerlies over Fiordland, with record rainfall in parts of the West Coast.

The El Niño broke as quickly as it had set in, in June 1998.

# directors' report

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 1998.

## Business Activities

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

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

	1998 \$000	1997 \$000
<b>Results of Operations</b>		
Net Surplus attributable to Shareholders	3,594	3,559
Special Dividend	(5,000)	(1,000)
Interim Dividends	(1,900)	(1,000)
Final Dividend declared	(600)	(1,135)
Retained Earnings at beginning of year	3,971	3,547
<b>Retained Earnings at end of year</b>	<b>\$ 65</b>	<b>\$ 3,971</b>

## Changes in Capital

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

## Auditor

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

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

## Remuneration of Employees

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

\$000	1998
100-109	1
110-119	2
130-139	1
140-149	1
150-159	1
260-269	1

## Directors

In accordance with the Constitution of the Company, directors are appointed by shareholding Ministers. R G A Westlake completed a second term as a director and retired on 30 June 1998.

## Directors' Remuneration

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

1998	\$000
J M Crook	22
J K Leslie	18
M Moir	18
B R Shackel	18
R G A Westlake	36
<b>Total Directors' Remuneration</b>	<b>\$ 112</b>

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

## Directors' Interests

### Interests Register

The following entries were recorded in the Interests Register during the year:

- R G A Westlake gave general notice that, as an officer of WestpacTrust, he will be interested in all transactions between Westpac, Trust Bank and MetService.
- J M Crook gave general notice that, as Deputy Chairman of Airways Corporation of New Zealand Limited, he will be interested in all transactions between Airways Corporation and MetService.
- J K Leslie gave general notice that, as a director of Dunedin Airport Limited, she will be interested in all transactions between Dunedin Airport Limited and MetService.

### Directors' Loans

There were no loans by the Company to directors.

### Directors' Insurance

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

## Donations

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

## Changes in Accounting Policies

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

For, and on behalf of, the Board

**J M Crook**

Chairman

**J K Leslie**

Director

18 August 1998

## Key Performance Indicators for the year ended 30 June 1998

	Statement of Corporate Intent Target	Actual 1998	Actual 1997
Net Surplus attributable to Shareholders	\$ 3,418,000	\$ 3,594,000	\$ 3,559,000
Net Surplus attributable to Shareholders : Avg S/H Funds	37.3%	** 37.8%	40.6%
EBIT : Total Tangible Assets	36.6%	** 34.6%	38.3%
Current Ratio	1.6 : 1	0.86 : 1	1.4 : 1
Equity Ratio	69.2%	52.6%	66.7%
Net Surplus attributable to Shareholders : Total Sales	14.4%	15.2%	15.2%
Accounting Value of Crown's Investment	\$ 9,338,000	* \$ 5,065,000	\$ 8,971,000
<b>Probability of Detection (POD)</b>	<b>Minimum</b>		
Heavy Rain	75%	91%	86%
Heavy Snow	75%	91%	86%
Severe Gales	75%	87%	80%
<b>False Alarm Ratio (FAR)</b>	<b>Maximum</b>		
Heavy Rain	40%	23%	28%
Heavy Snow	40%	34%	35%
Severe Gales	40%	20%	28%

\* Note 1: A \$5.0 million special dividend was paid to shareholders on 30 June 1998.

\*\* Note 2: Calculation excludes the \$5.0 million special dividend and \$1.0 million term loan transacted on 30 June 1998.

- Warnings of heavy rain are issued when: rain is expected to exceed 50mm in six hours; or rain is expected to exceed 100mm in 24 hours.
- Warnings of heavy snow are issued when: snow is expected to affect areas below 1000m in the North Island; and snow is expected to affect areas below 500m in the South Island; and snow is expected to exceed 10cm in six hours, or 25cm in 24 hours.
- Warnings of severe gales are issued when: sustained winds are expected to exceed 47kt or gusts exceed 60kt, over land.

**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.

# financial statements

Statements of Financial Performance for the year ended 30 June 1998 (page 1)

Note	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Revenue</b>				
Operating Revenue	23,582	23,357	23,499	23,290
<b>Total Revenue</b>	<b>23,582</b>	<b>23,357</b>	<b>23,499</b>	<b>23,290</b>
<b>Expenses</b>				
Audit Fees	38	28	33	25
Fees for Other Services provided by Auditor	21	26	20	25
Costs of Operating Leases and Renting Items	87	110	87	110
Bad Debts written off	7	22	7	22
Depreciation	1,646	1,472	1,646	1,472
Directors' Fees	112	94	112	94
Loss (Gain) on Sale of Fixed Assets	17	(25)	17	(25)
Other Expenses	16,670	16,585	16,567	16,540
<b>Total Expenses</b>	<b>18,598</b>	<b>18,312</b>	<b>18,489</b>	<b>18,263</b>
<b>Operating Surplus</b>				
Interest Income	356	288	356	288
<b>Surplus before Taxation</b>	<b>5,340</b>	<b>5,333</b>	<b>5,366</b>	<b>5,315</b>
Taxation Expense	3	(1,746)	(1,746)	(1,774)
<b>Surplus attributable to Shareholders</b>	<b>\$ 3,594</b>	<b>\$ 3,559</b>	<b>\$ 3,620</b>	<b>\$ 3,541</b>
<b>Retained Earnings</b>				
Retained Earnings brought forward	3,971	3,547	3,981	3,575
Dividends	16	(7,500)	(7,500)	(3,135)
<b>Retained Earnings carried forward</b>	<b>\$ 65</b>	<b>\$ 3,971</b>	<b>\$ 101</b>	<b>\$ 3,981</b>

The accompanying Notes to the Financial Statements on pages 4 to 8 form part of these Financial Statements

Statements of Financial Position as at 30 June 1998 (page 2)

Note	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Equity</b>				
Capital	6	5,000	5,000	5,000
Retained Earnings		65	3,971	101
<b>Total Equity</b>		<b>5,065</b>	<b>8,971</b>	<b>8,981</b>
<b>Liabilities</b>				
Accounts Payable and Accruals	7	2,937	3,246	2,924
Bank Overdraft		-	-	5
Directors' Fees Payable		28	22	22
Provision for Dividend	16	600	1,135	600
Income Taxation Payable		4	78	4
<b>Total Current Liabilities</b>		<b>3,569</b>	<b>4,481</b>	<b>4,484</b>
<b>Term Loan</b>	11	<b>1,000</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Equity</b>		<b>\$ 9,634</b>	<b>\$ 13,452</b>	<b>\$ 9,657</b>
<b>Assets</b>				
Cash on Hand at Bank		54	7	54
Accounts Receivable – Trade		723	1,124	702
Accounts Receivable – Other		440	394	440
Amounts Owing from Subsidiary		-	-	44
Deposits		1,455	4,200	1,455
Inventories		386	435	386
<b>Total Current Assets</b>		<b>3,058</b>	<b>6,160</b>	<b>3,081</b>
<b>Deferred Taxation</b>	3	<b>234</b>	<b>288</b>	<b>234</b>
<b>Other Assets</b>		<b>40</b>	<b>24</b>	<b>40</b>
<b>Fixed Assets</b>	4	<b>6,302</b>	<b>6,980</b>	<b>6,980</b>
<b>Total Assets</b>		<b>\$ 9,634</b>	<b>\$ 13,452</b>	<b>\$ 9,657</b>

For, and on behalf of, the Board,

**J M Crook**  
Chairman  
Date 18 August 1998

**J K Leslie**  
Director

The accompanying Notes to the Financial Statements on pages 4 to 8 form part of these Financial Statements



# financial statements

Statements of Movements in Equity for the year ended 30 June 1998 (page 3)

Note	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Equity as at 1 July</b>	<b>8,971</b>	<b>8,547</b>	<b>8,981</b>	<b>8,575</b>
Surplus for the Year	3,594	3,559	3,620	3,541
<b>Dividends Payable in Cash</b>				
Special Dividend	(5,000)	(1,000)	(5,000)	(1,000)
Interim Dividends	(1,900)	(1,000)	(1,900)	(1,000)
Final Dividend	(600)	(1,135)	(600)	(1,135)
	16			
<b>Equity as at 30 June</b>	<b>\$ 5,065</b>	<b>\$ 8,971</b>	<b>\$ 5,101</b>	<b>\$ 8,981</b>

Statements of Cash Flow for the year ended 30 June 1998

Note	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Cash Flow from Operating Activities</b>				
<b>Cash was Provided From:</b>				
Receipts from Customers	23,949	23,205	23,866	23,149
Interest Received	369	287	369	287
<b>Cash was Applied To:</b>				
Payments to Suppliers and Employees	(17,221)	(16,462)	(17,126)	(16,417)
Income Taxation Paid	(1,767)	(1,516)	(1,767)	(1,516)
<b>Net Cash Flow From Operating Activities</b>	<b>5,330</b>	<b>5,514</b>	<b>5,342</b>	<b>5,503</b>
	5			
<b>Cash Flow from Investing Activities</b>				
<b>Cash was Provided From:</b>				
Sale of Fixed Assets	23	133	23	133
Deposits Repaid	2,745	–	2,745	–
<b>Cash was Applied To:</b>				
Deposits	–	(764)	–	(764)
Term Investments	(6)	(4)	(6)	(4)
Purchase of Fixed Assets	(1,010)	(1,432)	(1,010)	(1,432)
<b>Net Cash Flow From (Applied To) Investing Activities</b>	<b>1,752</b>	<b>(2,067)</b>	<b>1,752</b>	<b>(2,067)</b>
<b>Cash Flow from Financing Activities</b>				
<b>Cash was Provided From:</b>				
Long Term Debt	1,000	–	1,000	–
<b>Cash was Applied To:</b>				
Dividends	(8,035)	(3,100)	(8,035)	(3,100)
<b>Net Cash Flow Applied To Financing Activities</b>	<b>(7,035)</b>	<b>(3,100)</b>	<b>(7,035)</b>	<b>(3,100)</b>
<b>Net Increase in Cash Held</b>	<b>47</b>	<b>347</b>	<b>59</b>	<b>336</b>
Add Opening Cash (Overdraft) brought forward	7	(340)	(5)	(341)
<b>Ending Cash (Overdraft) carried forward</b>	<b>\$ 54</b>	<b>\$ 7</b>	<b>\$ 54</b>	<b>\$ (5)</b>

The accompanying Notes to the Financial Statements on pages 4 to 8 form part of these Financial Statements

Notes to the Financial Statements for the year ended 30 June 1998 (page 4)

## Note 1: Statement of Accounting Policies

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

### A. General Accounting Policies

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

### B. Particular Accounting Policies

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

#### a) Revenue

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

#### b) Accounts Receivable

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

#### c) Inventories

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

#### d) Fixed Assets

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

#### e) Distinction between Capital and Revenue Expenditure

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

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

#### f) Depreciation

Depreciation of fixed assets, other than freehold land, is calculated using the straight-line method to allocate the historical cost or valuation over the estimated useful life of the asset, after due allowance has been made for the expected residual value. Leasehold land capitalised on the establishment of the business is depreciated over the life of the lease.

The cost of improvements to leasehold property 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 following annual depreciation rates are considered appropriate for each classification of asset:

Buildings	2-5%
Computer Equipment	20-0%-33-3%
Furniture & Fittings	20-0%
Meteorological Equipment	10-0%
Motor Vehicles	20-0%
Office Equipment	20-0%
Plant & Equipment	10-0%

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

#### g) Taxation

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

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

#### h) Leases

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

#### i) Foreign Currencies

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

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

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

#### j) Software

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

#### k) Financial Instruments

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

#### l) Statement of Cash Flows

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

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

# financial statements

Notes to the Financial Statements for the year ended 30 June 1998 – continued (page 5)

- iii) Financing activities are those activities which result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.
- iv) Operating activities include all transactions and other events that are not investing or financing activities.

#### m) Goods and Services Tax

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

#### n) Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 1998 using the purchase method.

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

All significant transactions between Group companies are eliminated on consolidation.

#### C. Changes in Accounting Policies

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

#### Note 2: Segment Information

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

#### Note 3: Taxation Expense

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Surplus for the Year</b>	<b>5,340</b>	<b>5,333</b>	<b>5,366</b>	<b>5,315</b>
Prima Facie Taxation thereon at 33 per cent	1,762	1,760	1,771	1,754
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	6	28	6	28
Non-Assessable Income	–	(14)	–	(14)
Prior Year Adjustment	(22)	–	(22)	–
Group offset – Metra Information Limited	–	–	(9)	6
<b>Taxation Expense</b>	<b>\$ 1,746</b>	<b>\$ 1,774</b>	<b>\$ 1,746</b>	<b>\$ 1,774</b>
Current Taxation	1,692	1,637	1,692	1,637
Deferred Taxation	54	137	54	137
<b>Taxation Expense</b>	<b>\$ 1,746</b>	<b>\$ 1,774</b>	<b>\$ 1,746</b>	<b>\$ 1,774</b>
<b>Deferred Taxation</b>				
Deferred Taxation 1 July	288	540	288	540
On Surplus for the Year	(54)	(137)	(54)	(137)
Prior Year Adjustments	–	(115)	–	(115)
<b>Deferred Taxation 30 June</b>	<b>\$ 234</b>	<b>\$ 288</b>	<b>\$ 234</b>	<b>\$ 288</b>
<b>Imputation Credit Account</b>				
Imputation Credit Account 1 July	2,085	2,075	2,085	2,075
Income Taxation Paid during the Year	1,767	1,537	1,767	1,537
Use of Money Interest transferred to Taxation Paid	7	–	7	–
Imputation Credits attached to Dividends Paid during the Year	(3,702)	(1,527)	(3,702)	(1,527)
<b>Imputation Credit Account 30 June</b>	<b>\$ 157</b>	<b>\$ 2,085</b>	<b>\$ 157</b>	<b>\$ 2,085</b>

Notes to the Financial Statements for the year ended 30 June 1998 – continued (page 6)

#### Note 4: Fixed Assets

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Land</b>				
Cost	156	156	156	156
Accumulated Depreciation	–	–	–	–
Book Value	156	156	156	156
<b>Land – Leasehold</b>				
Cost	447	444	447	444
Accumulated Depreciation	(129)	(106)	(129)	(106)
Book Value	318	338	318	338
<b>Buildings</b>				
Cost	393	393	393	393
Accumulated Depreciation	(56)	(49)	(56)	(49)
Book Value	337	344	337	344
<b>Buildings on Leasehold Land</b>				
Cost	1,546	1,546	1,546	1,546
Accumulated Depreciation	(277)	(238)	(277)	(238)
Book Value	1,269	1,308	1,269	1,308
<b>Furniture and Fittings</b>				
Cost	350	285	350	285
Accumulated Depreciation	(179)	(131)	(179)	(131)
Book Value	171	154	171	154
<b>Computer Equipment</b>				
Cost	4,548	3,911	4,548	3,911
Accumulated Depreciation	(2,955)	(2,487)	(2,955)	(2,487)
Book Value	1,593	1,424	1,593	1,424
<b>Meteorological Equipment</b>				
Cost	6,014	6,051	6,014	6,051
Accumulated Depreciation	(4,185)	(3,544)	(4,185)	(3,544)
Book Value	1,829	2,507	1,829	2,507
<b>Motor Vehicles</b>				
Cost	190	237	190	237
Accumulated Depreciation	(134)	(128)	(134)	(128)
Book Value	56	109	56	109
<b>Office Equipment</b>				
Cost	169	169	169	169
Accumulated Depreciation	(123)	(104)	(123)	(104)
Book Value	46	65	46	65
<b>Plant and Equipment</b>				
Cost	290	247	290	247
Accumulated Depreciation	(105)	(78)	(105)	(78)
Book Value	185	169	185	169
<b>Other Fixed Assets</b>				
Cost	1	1	1	1
Accumulated Depreciation	(1)	(1)	(1)	(1)
Book Value	–	–	–	–
<b>Capital Work in Progress</b>				
Cost	342	406	342	406
<b>Net Total Book Value</b>	<b>\$ 6,302</b>	<b>\$ 6,980</b>	<b>\$ 6,302</b>	<b>\$ 6,980</b>

The aggregate of the latest Government Valuation (1998) of Land is \$159,000, Buildings is \$583,000, and Buildings on Leased Land is \$2,678,500. Assets have not been revalued.

# financial statements

Notes to the Financial Statements for the year ended 30 June 1998 – continued (page 7)

## Note 5: Reconciliation of Surplus attributable to Shareholders with Cash Flow from Operating Activities

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
<b>Surplus for the Year</b>	<b>3,594</b>	<b>3,559</b>	<b>3,620</b>	<b>3,541</b>
<b>Non Cash Items</b>				
Loss (Gain) on Disposal of Fixed Assets	17	(25)	17	(25)
Revaluation of Foreign Currency Assets	(8)	–	(8)	–
Depreciation	1,646	1,472	1,646	1,472
Movement in Deferred Taxation Benefit	54	252	54	252
<b>Total Non Cash Items</b>	<b>1,709</b>	<b>1,699</b>	<b>1,709</b>	<b>1,699</b>
<b>Movements in Working Capital</b>				
Decrease (Increase) in Receivables	355	(199)	352	(189)
(Decrease) Increase in Accounts Payable and Accruals	(313)	411	(330)	408
(Decrease) Increase in GST and Income Taxation Payable	(64)	6	(58)	6
Decrease in Inventories	49	38	49	38
<b>Total Movement in Working Capital</b>	<b>27</b>	<b>256</b>	<b>13</b>	<b>263</b>
<b>Net Cash Flow From Operating Activities</b>	<b>\$ 5,330</b>	<b>\$ 5,514</b>	<b>\$ 5,342</b>	<b>\$ 5,503</b>

## Note 6: Share Capital

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
Authorised, Issued and Fully Paid Capital consists of 5,000,000 Ordinary shares	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>

## Note 7: Accounts Payable and Accruals

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
Sundry Creditors and Accruals	1,272	1,378	1,251	1,374
Accounts Payable, including PAYE and GST	749	884	757	886
Employee Entitlements	878	930	878	930
Income in Advance	38	54	38	54
<b>Total Accounts Payable and Accruals</b>	<b>\$ 2,937</b>	<b>\$ 3,246</b>	<b>\$ 2,924</b>	<b>\$ 3,244</b>

## Note 8: Capital Commitments

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
Capital Commitments outstanding at balance date not provided for	<b>\$ 49</b>	<b>\$ 85</b>	<b>\$ 49</b>	<b>\$ 85</b>

## Note 9: Lease Commitments

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
Non-Cancellable Operating Lease Commitments are:				
0-1 Year	98	110	98	110
1-2 Years	71	100	71	100
2-5 Years	104	183	104	183
5 Years and Over	61	323	61	323

Notes to the Financial Statements for the year ended 30 June 1998 – continued (page 8)

## Note 10: Software Development Costs

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
Incomplete Software Projects as at 1 July	307		307	
Software Development Costs Capitalised During the Year	461	504	461	504
Software Costs transferred to Expenses	(222)	(50)	(222)	(50)
Software Costs transferred to Fixed Assets	(420)	(147)	(420)	(147)
<b>Incomplete Software Projects as at 30 June</b>	<b>\$ 126</b>	<b>\$ 307</b>	<b>\$ 126</b>	<b>\$ 307</b>

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

## Note 11: Term Loan

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
Unsecured Bank Loan	<b>\$ 1,000</b>	<b>–</b>	<b>\$ 1,000</b>	<b>–</b>

On 30 June 1998, Meteorological Service of New Zealand Limited entered into a three year term loan agreement with the Westpac Banking Corporation. No security has been provided for this loan. The interest rate is fixed to 1 July 1999 at 9.24% pa.

## Note 12: Financial Instruments

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

### Forward Contract Agreements

	Group 1998 \$000	Group 1997 \$000	Parent 1998 \$000	Parent 1997 \$000
At balance date the notional principal or contract amounts of foreign currency agreements outstanding were (NZ\$):	<b>\$ 589</b>	<b>\$ 307</b>	<b>\$ 589</b>	<b>\$ 307</b>

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

### Credit Risk

Financial instruments which potentially subject Meteorological Service of New Zealand Limited to credit risk principally consist of bank transactions and deposits, accounts receivable and sundry accounts receivable. Meteorological Service of New Zealand Limited has a credit policy which is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. In the normal course of business, amounts due from the Minister of Transport represent a significant account receivable, however, it is not regarded as a significant concentration of credit risk. Meteorological Service of New Zealand Limited does not require collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

### Interest Rate Risk

Meteorological Service of New Zealand Limited's short term deposits are at fixed interest rates and mature within 60 days. Meteorological Service of New Zealand Limited has long term fixed rate borrowings which are used to fund ongoing activities. Interest rate exposure is maintained on a fixed rate basis.

b) Fair Values: There were no differences between the fair value and the carrying amounts of financial instruments at 30 June 1998.

## Note 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.

## Note 14: Related Party Transactions

During the year, Meteorological Service of New Zealand Limited provided certain meteorological services to the Minister of Transport under a significant contract. There were no outstanding balances at year end. Meteorological Service of New Zealand Limited also undertakes transactions with other State Owned Enterprises and Government Departments. All the foregoing were carried out on a commercial and arm's length basis in the normal course of business and are not considered to fall within the intended scope of Related Party Transactions.

## Note 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 with a 30 June balance date.

## Note 16: Dividend

Directors have declared a final dividend of \$600,000 (1997 \$1,135,000) bringing the total dividend payment for the year to \$7,500,000 (1997 \$3,135,000).

# audit report

Report of the Audit Office

To the Readers of the Financial Statements of Meteorological Service of New Zealand Limited and Group for the year ended 30 June 1998.

We have audited the financial statements on pages 1 to 8. The financial statements provide information about the past financial performance of Meteorological Service of New Zealand Limited and Group as at 30 June 1998. This information is stated in accordance with the accounting policies set out on pages 4 and 5.

## Responsibilities of the Board of Directors

The State Owned Enterprises Act 1986 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of Meteorological Service of New Zealand Limited and Group as at 30 June 1998 and the results of its operations and cash flows for the year ended 30 June 1998.

## Auditors' Responsibilities

Section 19 of the State Owned Enterprises Act 1986 requires the Audit Office to audit the financial statements presented by the Board. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed M Schubert, of PricewaterhouseCoopers, to undertake the audit.

## Basis of Opinion

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

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

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

Our firm has carried out other assignments for the Meteorological Service of New Zealand Limited in the area of taxation advice and EVA certification. Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no other relationship with or interests in the Meteorological Service of New Zealand Limited or its subsidiary.

## Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Meteorological Service of New Zealand Limited and Group as far as appears from our examination of those records; and
- the financial statements of the Meteorological Service of New Zealand Limited and Group on pages 1 to 8:
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the financial position as at 30 June 1998 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 31 August 1998 and our unqualified opinion is expressed as at that date.

M Schubert

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

# directory

## directors

John M Crook, ME, MPP, MIPENZ (chairman)  
Joy K Leslie, MBE, FNZIM  
Margaret Moir, QSO, JP  
Brian R Shackel

## registered office

Meteorological Service  
of New Zealand Limited  
Level 2  
30 Salamanca Road  
P O Box 722  
Wellington  
tel +64-4-472 9379  
fax +64-4-473 5231

## company secretary

David Knott

## banker

Westpac Banking Corporation  
318 Lambton Quay  
P O Box 1298  
Wellington

## solicitors

Kensington Swan  
89 The Terrace  
P O Box 10-246  
Wellington

## auditor

PricewaterhouseCoopers  
113-119 The Terrace  
P O Box 243  
Wellington

*On behalf of*

Controller and Auditor-General  
48 Mulgrave Street  
Private Bag 3928  
Wellington

## executives

Chief Executive  
John Lumsden  
lumsden@met.co.nz

General Manager  
National Weather Services  
Neil Gordon  
gordon@met.co.nz

General Manager  
Aviation and Information  
Presentation Services  
Keith Mackersy  
mackersy@met.co.nz

Development Manager  
Marco Overdale  
overdale@met.co.nz

Financial Controller  
David Knott  
knott@met.co.nz

Human Resources Manager  
Adrienne Riggs  
riggs@met.co.nz

