



directory



John Crook

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



Kate Hazlett

Kate Hazlett
Hukarere Station, Tapanui.



Rob Tait

Robert B Tait
7 Hikutaia Road, Opotiki.



Geoffrey Thompson

Geoffrey W F Thompson
CNZM
"Ratadale", Waikanae.

→ Banker Westpac Banking Corporation
318 Lambton Quay, P O Box 1298, Wellington.

→ Auditor PricewaterhouseCoopers
113-119 The Terrace, P O Box 243, Wellington.

On behalf of

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



John Lumsden

→ Executive
Chief Executive
John Lumsden lumsden@met.co.nz

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

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

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

Chief Information Officer
Marco Overdale overdale@met.co.nz



Neil Gordon



Keith Mackersy



David Knott



Marco Overdale

→ Meteorological Service of New Zealand
Registered Office Level 2, 30 Salamanca Road,
PO Box 722, Wellington. Telephone (04) 472-9379,
Facsimile (04) 473-5231

→ Company Secretary Marco Overdale

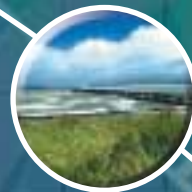


key achievements



METSERVICE

METRA

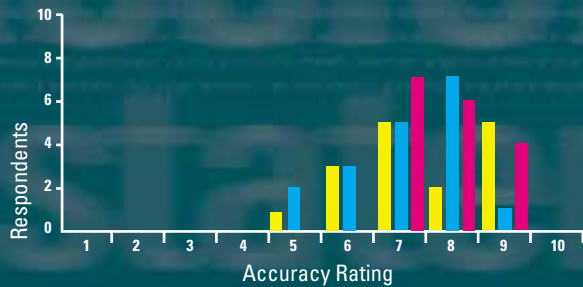


Mission → by providing innovation and value, continue to grow a commercially successful business delivering worldwide weather and information presentation services.

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

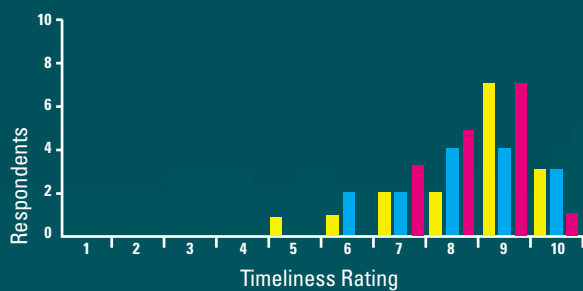
→ Regional Councils well served. Record of increasing satisfaction.

Special Weather Bulletin Accuracy Rating



1997 1998 1999

Special Weather Bulletin Timeliness Rating



Forecaster Helpfulness Rating



COMPANY PROFIT → This year a \$3.7 million net profit was achieved.





On behalf of the Board of Directors I am delighted to report MetService's best result to date. Net profit after tax amounted to \$3.7 million, up from \$3.2 million last year, which represents an after tax return on shareholders' funds of 66%. This result has been achieved through growth in our range of customers, even as competition from worldwide web based suppliers increases. Operating costs have also continued to decline, particularly in the area of communications and technology.

→ **Business situation** Competition from suppliers outside New Zealand has become more evident both in our Asian aviation markets, and in low end Internet based products. Our strategies to combat this are focused around consistent development of more attractive and efficient means of meeting customers' business needs, and offshore expansion of the business. Our achievement in extending the Company's television weather animations to Australia, Asia, and Europe is a measure of the success of these strategies. Extension to our business in Europe, through relationships with local partners, has been pursued and the prospects for this are positive.

The regulatory environment in the Australian market for aviation forecasts appears to be changing, and this promises opportunities for competition in the future.

Events in Fiji had some impact on MetService as the Company provides backup for tropical cyclone warning for the Fiji Meteorological Service. This backup was invoked twice as a result of the unfortunate political troubles.

→ **Company privatisation** The new government, elected in November 1999, advised MetService that privatisation of the Company would not proceed.

→ **Infrastructure development strategy** During the year MetService management has identified the growing volume of weather information presentation on the Internet, and the capabilities of that medium, as likely to underpin much of the Company's future relationships with customers. Significant redevelopment of infrastructure to support growth in this area was foreshadowed. Directors strongly support this initiative and its timing, and the Company has set in train projects to begin to deliver this development over the coming year.

→ **Year 2000** I am happy to report that transition into the year 2000 was achieved without business interruption. Management and staff achieved a sterling result while continuing to support and develop new business and systems.

→ **ISO9000 certification** MetService continues to place emphasis on achieving operationally excellent performance. The Company underwent its first full re-certification for ISO9000 compliance during the year. It is pleasing to note that this was achieved with no non-conformances being raised.

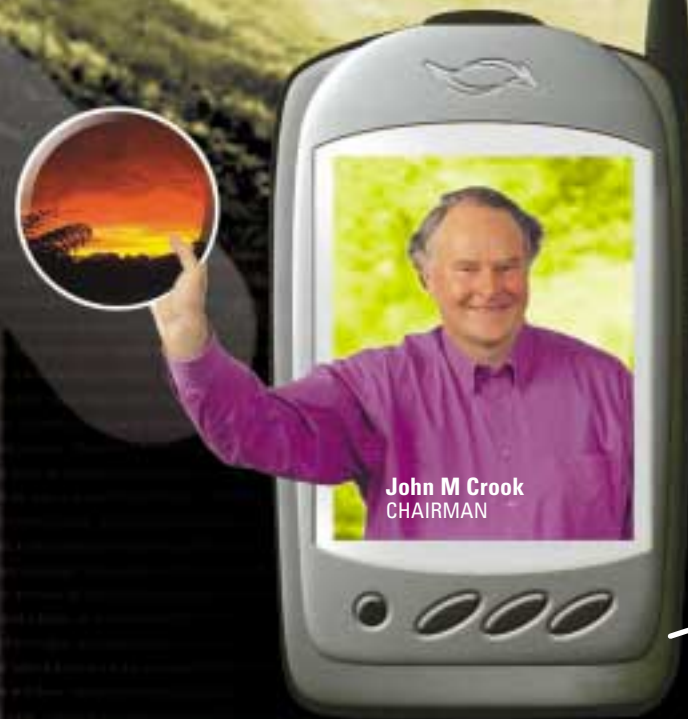
→ **Changes in board membership** During this year, we farewelled Margaret Moir and Joy Leslie from our Board. Both Margaret and Joy were members of the Board for six years and made a noteworthy contribution to the Company's growth and direction over that time. The Board wishes them well in their future endeavours. I thank current Board members for their contributions to the continuing stable governance of the Company and a superb result this year.

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

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

Thank you all very much.

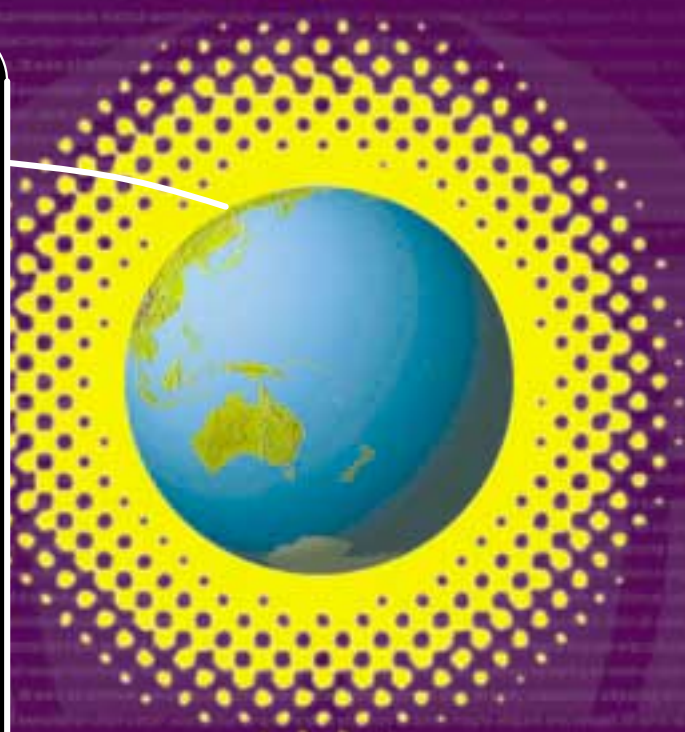
John M Crook
CHAIRMAN



ISO9000 CERTIFICATION → The company underwent its first full re-certification for ISO9000 compliance during the year with no non-conformances being raised.

YEAR 2000 → I am happy to report that transition into the year 2000 was achieved without business interruption. Management and staff achieved a sterling result while continuing to support and develop new business and systems.





THE AMERICA'S CUP → races provided revenue opportunities, supporting yachting syndicates via the specially created CupMet website, and providing one team with a meteorologist.



The Company has succeeded in earning additional revenue for weather and information presentation services provided to domestic and international clients, while maintaining a high level of performance in fulfilling its obligations for the national forecast and warnings service. Employees have demonstrated both innovation in their approach to new technical and customer opportunities, and prudence in expenditure. The resulting financial surplus is very satisfactory.

MetService is very much part of the knowledge economy. The emergence of the "Wired World" presents opportunities and threats, and during the year strategies were developed to ensure that the Company maintains and develops its position in the longer term.

The value of the Company to its owners and customers really lies in the aptitudes and attitudes of its people. It is their skilled enthusiasm that has produced these results and that will be crucial to future success, and I wish to acknowledge their fine work here.

OLYMPICS → MetService was the supplier of forecasts for the aircraft carrying the Olympic torch throughout the Pacific.

MetService

→ **WMO and international cooperation** As well as ensuring that basic New Zealand observational data are freely available to the World Meteorological Organization (WMO) community, we participated in WMO programmes, and hosted the International Data Buoy Cooperation Panel in Wellington in October. During the year Neil Gordon provided leadership in his role as President of the WMO Commission for Aeronautical Meteorology, and I was active as the country's Permanent Representative with WMO. Steve Ready acted as Chairman of the Tropical Cyclone Committee.

→ **NZ Overseas Development Assistance** We have been involved in several capacity building projects, providing consultancy in Africa, Asia, and the Pacific.

We conducted a Needs Analysis for Papua New Guinea with Australian Aid support. Additionally, we have worked with the South Pacific Regional Environmental Programme (SPREP) to evaluate regional needs, and hosted a planning meeting in January.

→ **Forecasting and data** Our forecast and warnings service, provided under our Agreement with the Minister of Transport, was well appreciated by users such as Regional Councils. Surveys show a high level of satisfaction for accuracy, timeliness, and helpfulness.

We are continually assessing ways to produce forecasts more effectively, and have established a mesoscale modelling team that uses clustered computer processors. We are proving the value of this flexible and cost effective approach.

Our MetData Services group was awarded a contract to install and operate a national lightning detection network for Transpower, the national electricity grid operator, demonstrating our competence in data acquisition systems.

At the other end of the technology spectrum, older technologies are disappearing – last year it was Morse, and this year saw the demise of Telex as a communications method.

→ **In the public eye** In order to promote our services and garner information about potential service innovations, we exhibited at Mystery Creek Fieldays, the biggest Agricultural show in the country, and discussed our capabilities with 1,200 farmers.

The Company provided weather services for the 1999 APEC meetings, and the subsequent state visits.

MetService was the supplier of forecasts for the aircraft carrying the Olympic torch throughout the Pacific. The America's Cup races provided revenue opportunities, supporting yachting syndicates via the specially created CupMet website, and providing one team with a meteorologist.

Revenue from MetPhone and MetFax continued to be strong. Awareness remains high with usage highly influenced by threatening weather. Advertising has been targeted via radio and specialised print media.

Our WeatherNOW! service on Telecom's Xtra web site is now accessible by credit card, enabling many more people to access our weather forecasts and value added data.

Sky Television's digital service now airs our weather information in a weather graphics programme that we custom designed.





→ **In the Air** New and additional services were supplied to 24 airlines, from Aerolineas Argentinas to Uzbekistan Airlines.

A prototype of an upgrade to our aviation weather information management system, to be called WeatherTrak, was successfully demonstrated to the industry in New Zealand and overseas, and is now under development.

Metra

Metra focuses on developing new markets for services to the media and aviation industries.

Animated weather graphic services are now supplied to the Today Show broadcast by Australia's Nine Network. This is in addition to the evening weather programmes that were launched last year in the Brisbane, Sydney and Melbourne broadcast centres.

In November 1999 CNBC Asia went to air with a Metra television weather presentation broadcast from Singapore, and in April 2000 CNBC Europe, based in London, commenced its weather segment, also produced by Metra.

Metra was informed that a process to certify aviation meteorology service providers in Australia is being established by their Civil Aviation Safety Authority. The New Zealand Civil Aviation Rule Part 174 may be used as a basis.

The Metra brand is also used for services with no meteorological content. If the information is deadline sensitive and in a standard format, our systems are ideal for producing high quality layouts.

During the year we added the Taranaki Daily News and the Manawatu Evening Standard to our customers for sharemarket information and television programme listings respectively. The Christchurch Press chose us for weekly television programme listings.

We promoted our graphics services at the Pacific Area Newspaper Publishers Exhibition and recently recruited a journalist to work in our Media Graphics Unit in Christchurch.

General

Our organisational structure, with three business units and three support divisions, has continued to serve the Company well. The Management Committee has been a stable and unified team. However, our Human Resources and Administration Manager, Adrienne Riggs, who had contributed very significantly to the inspiring environment we enjoy, left during the year. This resulted in a restructuring, with these responsibilities being assigned to two existing managers.

Although we made the transition through to Y2K without problems of any consequence, we have had problems with Internet reliability on several occasions, and endured unacceptably long service outages. Our procedures for switching to back-up facilities have been reinforced, and alternative diverse access communications methods have been installed.

→ **Appreciation** During the year the Directors have provided encouragement and guidance for the Company's activities and strategic direction and, on behalf of the Management Committee, I wish to thank all who were members of the Board during the year. This constructive relationship has underpinned the results we are achieving. I would also like to thank our many suppliers, who I hope see us as exacting but reasonable customers. To our MetService and Metra customers – thank you for your business – we do not take it for granted and will continue to work towards providing services of value.

→ **Outlook** Management and Directors have considered the changing market and technological environment, coming through widespread use of the Internet. Having adopted a policy several years ago of "institutionalising the Internet", we believe that we are well positioned to exploit the opportunities and respond to the threats of a "Wired World". This will involve investment in marketing and software development that will cause a near term reduction in profitability, but will enable the Company to survive and thrive in the longer term.

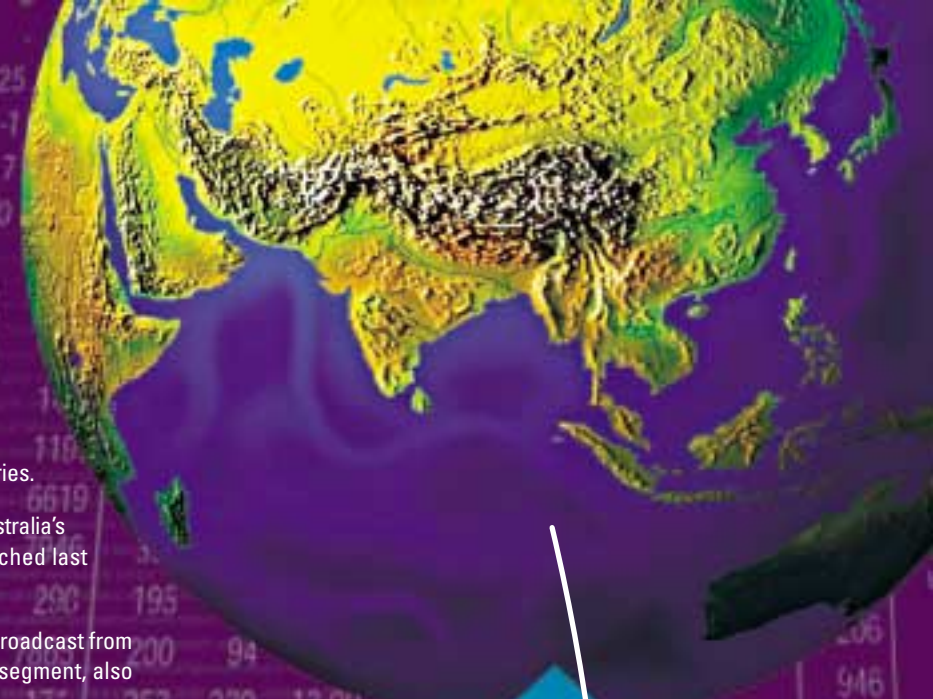
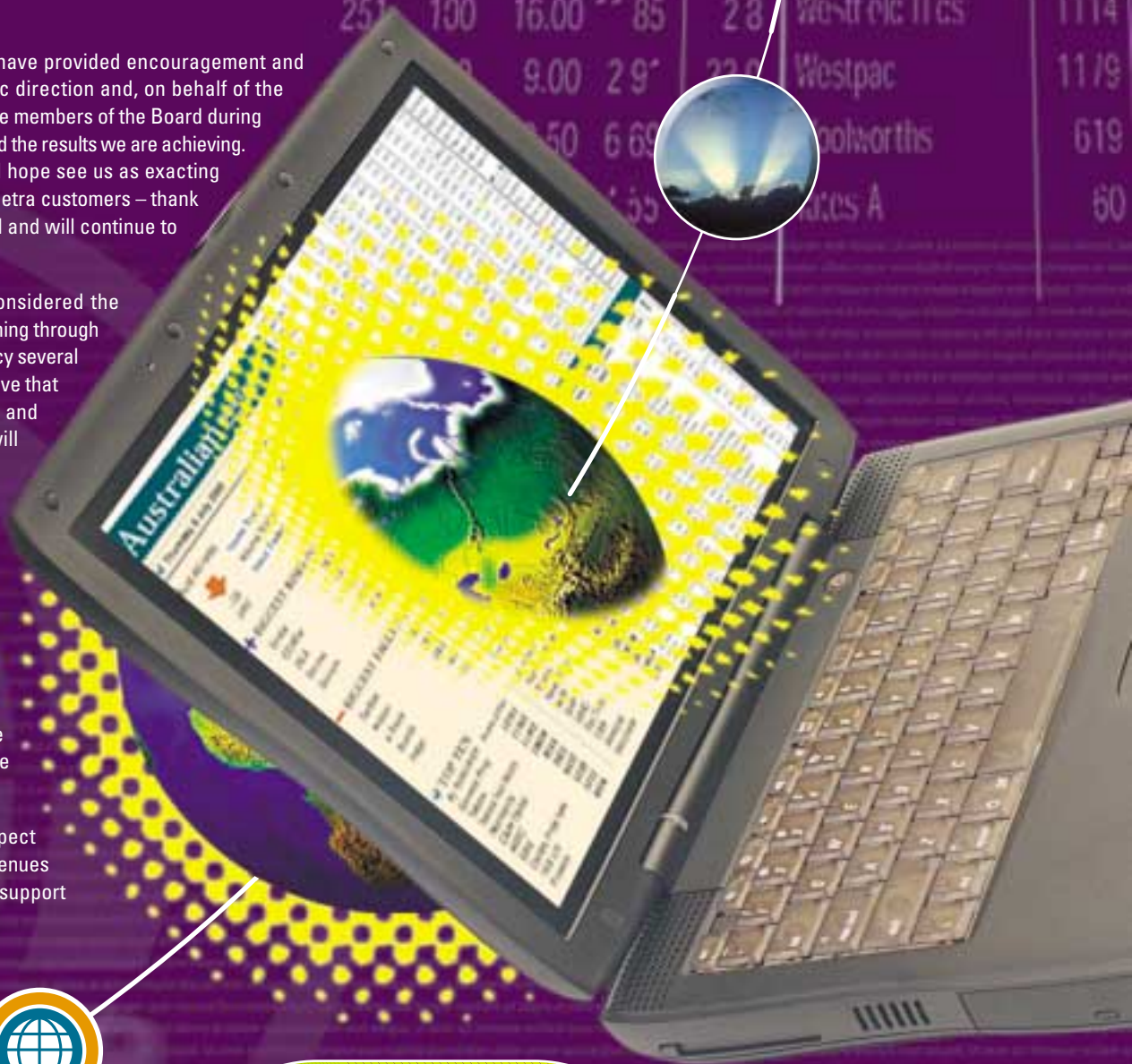
It is evident that continued investment in our intellectual capital is required and we have decided to run another forecaster training course in the coming year. We will be adopting new processes and procedures for forecasting as our technical developments bear fruit, but we will always need the wisdom and the experience of our people to ensure the most valuable results for our customers.

In addition to maintaining our core business, we expect to see growth in international media and aviation revenues as our strategy of investment in the capabilities to support these markets continues.

John Lumsden
CHIEF EXECUTIVE



METRA → Both Information Presentation and Aviation Services use the Metra brand where appropriate.



79	Rises
764	Falls
946	
31	
555	
686	
723	
477	
162	
19	
314	
770	
530	
338	
1356	
401	
16	
1114	
1179	
619	
60	



AWARD WINNER Garry Clarke



HENRY HILL AWARD → 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.

Special Merit:
Louise Simpson & Mark Pascoe



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

- | | |
|----------------|------------------|
| Humphrey Elton | Ralph Pannett |
| Peter Fisher | Tom Sutherland |
| John Glover | Christine Sutton |
| John Griffin | Peter Watling |
| James Guthrie | Selwyn Williams |
| Paul Harris | |

→ **Weather Overview 1999-2000** The persistent La Niña weather pattern of 1998 gradually weakened through 1999 and by winter of 2000 had entered a neutral phase whereby neither La Niña nor El Niño were dominant. The residual warmth in the seas around New Zealand from La Niña maintained warmer than normal temperatures in many parts of the country.

In general, weather patterns over the last year or so have been characterised by slow moving anticyclones and depressions, with a marked absence of persistent westerly winds. Springtime is usually accompanied by high northwesterly winds, but during the spring of 1999 only one severe gale event occurred.

November 1999 was a very wet month with record or near record rainfalls in a number of places. During the middle of that month an active cold front became slow moving over the south of the South Island and was responsible for heavy rainfall that led to severe flooding in Queenstown and other central Otago townships. In a four day period, Milford Sound recorded 720 mm of rain of which 326 mm fell in 24 hours, and in Queenstown a record 205 mm of rain fell over three days.

There were two notable snow events over the last year with Coronet Peak ski field receiving a metre of snow on one day in July 1999, and a very cold southerly outbreak in June 2000 that brought sizeable snowfalls to the high country of both main islands, causing the closure of a number of roads. Only seven snow events over the previous 24 months reached warning criteria. Such a low tally of events has rendered MetService performance statistics on heavy snow warnings irrelevant. Public appreciation of MetService Special Weather Advisories on snowfalls that do not reach warning criteria is positive.

Also in June 2000, there were a couple of freak weather events with knee deep hail falling in Albany, just north of Auckland and a mini tornado that swept through Stoke and Richmond in the Nelson area causing some minor damage.

In all, 54 heavy rainfall events, 11 strong wind events, and 3 heavy snow events were recorded across the country during the year.



→ **Report of the Directors to the Shareholders** The Directors have pleasure in presenting their Annual Report, together with the audited financial statements of Meteorological Service of New Zealand Limited for the year ended 30 June 2000.

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.

	2000	\$000	1999	\$000
Results of Operations				
Net Surplus attributable to Shareholders		3,685		3,200
Interim Dividends		(2,000)		(1,900)
Final Dividend declared		(1,215)		(1,020)
Retained Earnings at beginning of the year		345		65
Retained Earnings at end of year		815		345

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 - Audit \$30,000 (\$28,000 1999) - Other Services \$17,000 (\$32,000 1999), and Metra Information Limited - Audit \$5,000 (\$5,000 1999).

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.

Remuneration of Employees

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

\$000	2000
100 - 109	3
110 - 119	2
140 - 149	2
170 - 179	1
180 - 189	1
310 - 319	1

Directors

In accordance with the Constitution of the Company, directors are appointed by shareholding Ministers. J Leslie and M Moir completed the maximum two terms and retired on 31 March 2000.

Directors' Remuneration

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

2000	\$000
J M Crook	36
J K Leslie	16
M Moir	13
K Hazlett	18
R Tait	18
G Thompson	18
Total Directors' Remuneration	119

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

Directors' Interests

Interests Register

Directors declared they had no interests of a nature required to be noted in the Interests Register.

Directors' Loans

There were no loans by the Company to directors.

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

John M Crook

CHAIRMAN
18 August 2000

Geoffrey W Thompson

DIRECTOR

Key Performance Indicators

for the Year ended 30 June 2000

		Statement of Corporate Intent Target	Actual 2000	Actual 1999
Net Surplus attributable to Shareholders		\$3,154,000	\$3,685,000	\$3,200,000
Net Surplus attributable to Shareholders : Average S/H Funds		58.2%	66.0%	61.5%
EBIT : Total Tangible Assets		48.0%	47.7%	48.3%
Current Ratio		1.02:1	1.21:1	1.02:1
Equity Ratio		55.2%	48.8%	51.1%
Net Surplus attributable to Shareholders : Total Sales		13.7%	15.7%	14.0%
Accounting Value of Crown's Investment		\$5,546,000	\$5,815,000	\$5,345,000
Probability of Detection (POD)	Heavy Rain Heavy Snow Severe Gales	Minimum 75% 75% 75%	82% 87% 86%	87% 93% 89%
False Alarm Ratio (FAR)	Heavy Rain Heavy Snow Severe Gales	Maximum 40% 40% 40%	29% 50% 30%	24% 42% 26%
Quality Certification	MetService has added Quality Certification to its Non Financial Performance Indicators adding ISO 9000 and Civil Aviation Rule Part 174 certification. We achieved full ISO 9001 re-certification and are happy to record that the auditors found us fully compliant. MetService retained its Civil Aviation Rule Part 174 certification achieving a high standard against 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 Special Weather Bulletins.

Warnings of heavy rain are issued when:

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

Warnings of heavy snow are issued when:

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

Warnings of severe gales are issued when:

- sustained winds are expected to exceed 47kt or gusts exceed 60kt, over land.





Statements of Financial Performance <i>for the Year ended 30 June 2000</i>		Group 2000 \$000	Group 1999 \$000	Parent 2000 \$000	Parent 1999 \$000
Revenue	Note				
Operating Revenue		23,414	22,929	22,994	22,759
Total Revenue		23,414	22,929	22,994	22,759
Expenses					
Audit Fees		35	33	30	28
Fees for Other Services provided by Auditor		17	32	17	32
Costs of Operating Leases and Renting Items		75	97	75	97
Bad Debts written off		9	5	9	5
Depreciation		1,511	1,638	1,494	1,635
Directors' Fees		119	113	119	113
(Gain) Loss on sale of Fixed Assets		(17)	71	(17)	71
Other Expenses		16,214	16,155	15,820	16,028
Total Expenses		17,963	18,144	17,547	18,009
Operating Surplus		5,451	4,785	5,447	4,750
Net Finance Revenue (Expense)	4	27	(26)	26	(27)
Surplus before Taxation		5,478	4,759	5,473	4,723
Taxation Expense	3	(1,793)	(1,559)	(1,790)	(1,547)
Surplus attributable to Shareholders		3,685	3,200	3,683	3,176
Retained Earnings					
Retained Earnings brought forward		345	65	357	101
Dividends	17	(3,215)	(2,920)	(3,215)	(2,920)
Retained Earnings carried forward		815	345	825	357

The accompanying Notes to the Financial Statements on pages 16 to 21 form part of these Financial Statements.

Statements of Financial Position <i>for the Year ended 30 June 2000</i>		Group 2000 \$000	Group 1999 \$000	Parent 2000 \$000	Parent 1999 \$000
Equity	Note				
Capital	7	5,000	5,000	5,000	5,000
Retained Earnings		815	345	825	357
Total Equity		5,815	5,345	5,825	5,357
Liabilities					
Accounts Payable and Accruals	8	2,863	3,053	2,811	2,886
Directors' Fees Payable		22	32	22	32
Provision for Dividend	17	2,215	1,020	2,215	1,020
Total Current Liabilities		5,100	4,105	5,048	3,938
Term Loan	12	1,000	1,000	1,000	1,000
Total Liabilities and Equity		11,915	10,450	11,873	10,295
Assets					
Cash on Hand at Bank		89	36	66	33
Accounts Receivable – Trade		2,232	716	2,150	686
Accounts Receivable – Other		410	584	369	469
Amounts Owning from Subsidiary		-	-	135	43
Deposits		2,777	2,310	2,777	2,310
Inventories		636	542	636	542
Taxation Refund		27	9	27	9
Total Current Assets		6,171	4,197	6,160	4,092
Future Income Tax Benefit	3	485	535	487	535
Other Assets		44	38	44	38
Fixed Assets	5	5,215	5,680	5,182	5,630
Total Assets		11,915	10,450	11,873	10,295

The accompanying Notes to the Financial Statements on pages 16 to 21 form part of these Financial Statements.

Signed for, and on behalf of, the Board,

John M Crook
CHAIRMAN
18 August 2000

Geoffrey W Thompson
DIRECTOR





Statements of Movements in Equity <i>for the Year ended 30 June 2000</i>		Group 2000 \$000	Group 1999 \$000	Parent 2000 \$000	Parent 1999 \$000
Equity as at 1 July	Note	5,345	5,065	5,357	5,101
Surplus for the Year		3,685	3,200	3,683	3,176
Dividends Payable in Cash					
Interim Dividends		(2,000)	(1,900)	(2,000)	(1,900)
Final Dividend	17	(1,215)	(1,020)	(1,215)	(1,020)
Equity as at 30 June		5,815	5,345	5,825	5,357

The accompanying Notes to the Financial Statements on pages 16 to 21 form part of these Financial Statements.

Statements of Cash Flow <i>for the Year ended 30 June 2000</i>		Group 2000 \$000	Group 1999 \$000	Parent 2000 \$000	Parent 1999 \$000
Cash Flow from Operating Activities	Note				
Cash was Provided from:					
Receipts from Customers		21,840	23,078	21,482	22,775
Interest Received		112	68	112	68
Cash was Applied to:					
Payments to Suppliers and Employees		(16,531)	(16,813)	(16,195)	(16,566)
Interest Paid		(88)	(95)	(88)	(95)
Income Taxation Paid		(1,760)	(1,873)	(1,758)	(1,873)
Net Cash Flow from Operating Activities	6	3,573	4,365	3,553	4,309
Cash Flow from Investing Activities					
Cash was Provided from:					
Sale of Fixed Assets		26	228	26	228
Cash was Applied to:					
Deposits		(467)	(855)	(467)	(855)
Term Investments		(5)	-	(5)	-
Purchase of Fixed Assets		(1,054)	(1,256)	(1,054)	(1,203)
Net Cash Flow Applied to Investing Activities		(1,500)	(1,883)	(1,500)	(1,830)
Cash Flow from Financing Activities					
Cash was Applied to:					
Dividends		(2,020)	(2,500)	(2,020)	(2,500)
Net Cash Flow Applied to Financing Activities		(2,020)	(2,500)	(2,020)	(2,500)
Net Increase (Decrease) in Cash Held		53	(18)	33	(21)
Add Opening Cash brought forward		36	54	33	54
Ending Cash carried forward		89	36	66	33

The accompanying Notes to the Financial Statements on pages 16 to 21 form part of these Financial Statements.

→ Note 1 – Statement Of Accounting Policies

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

A. General Accounting Policies

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

B. Particular Accounting Policies

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

a) Revenue

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

b) Accounts Receivable

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

c) Inventories

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

d) Fixed Assets

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

e) Distinction between Capital and Revenue Expenditure

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

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

f) Depreciation

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

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

Buildings	2.5%
Computer Equipment	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 virtual certainty of realisation.

h) Leases

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

i) Foreign Currencies

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

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

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

j) Software

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

k) Financial Instruments

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

l) Statement of Cash Flows

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

- i) Cash is considered to be cash on hand and current accounts in banks.
- ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- iii) Financing activities are those activities which result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.

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

m) Goods and Services Tax

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

n) Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 2000 using the purchase method.

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

All significant transactions between Group companies are eliminated on consolidation.

C. Changes in Accounting Policies

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

→ Note 2 – Segment Information

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

→ Note 3 – Taxation Expense

	Group 2000 \$000	Group 1999 \$000	Parent 2000 \$000	Parent 1999 \$000
Surplus for the Year	5,478	4,759	5,473	4,723
Prima Facie Taxation thereon at 33 per cent	1,808	1,570	1,806	1,558
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	12	6	11	6
Non-Assessable Income	(27)	(20)	(27)	(20)
Prior Year Adjustment	–	3	–	3
Taxation Expense	1,793	1,559	1,790	1,547
Current Taxation	1,743	1,860	1,742	1,848
Future Income Tax benefit	50	(301)	48	(301)
Taxation Expense	1,793	1,559	1,790	1,547
Future Income Tax Benefit	Future Income Tax Benefit 1 July	234	535	234
	On Surplus for the Year	301	(48)	301
	Future Income Tax Benefit 30 June	485	487	535
Imputation Credit Account	Imputation Credit Account 1 July	799	799	157
	Income Taxation Paid during the Year	1,760	1,760	1,873
	Imputation Credits attached to the Dividends Paid during the Year	(995)	(1,231)	(995)
	Imputation Credit Account 30 June	1,564	799	1,564

→ Note 4 – Net Finance Expense

Interest Revenue	113	69	112	68
Interest Expense	(86)	(95)	(86)	(95)
Net Finance Revenue (Expense)	27	(26)	26	(27)

→ Note 5 – Fixed Assets

Land	Cost	118	118	118	118
	Accumulated Depreciation	–	–	–	–
	Book Value	118	118	118	118
Land-Leasehold	Cost	447	447	447	447
	Accumulated Depreciation	(179)	(154)	(179)	(154)
	Book Value	268	293	268	293
Buildings	Cost	378	393	378	393
	Accumulated Depreciation	(64)	(101)	(64)	(101)
	Book Value	314	292	314	292
Buildings on Leasehold Land	Cost	1,512	1,546	1,512	1,546
	Accumulated Depreciation	(343)	(311)	(343)	(311)
	Book Value	1,169	1,235	1,169	1,235
Furniture and Fittings	Cost	440	408	440	408
	Accumulated Depreciation	(297)	(234)	(297)	(234)
	Book Value	143	174	143	174
Computer Equipment	Cost	5,738	4,934	5,686	4,888
	Accumulated Depreciation	(4,443)	(3,610)	(4,424)	(3,607)
	Book Value	1,295	1,324	1,262	1,281
Meteorological Equipment	Cost	6,206	6,133	6,206	6,133
	Accumulated Depreciation	(5,047)	(4,686)	(5,047)	(4,686)
	Book Value	1,159	1,447	1,159	1,447
Motor Vehicles	Cost	188	186	188	186
	Accumulated Depreciation	(116)	(136)	(116)	(136)
	Book Value	72	50	72	50
Office Equipment	Cost	203	192	203	192
	Accumulated Depreciation	(159)	(141)	(159)	(141)
	Book Value	44	51	44	51
Plant and Equipment	Cost	381	357	381	357
	Accumulated Depreciation	(173)	(136)	(173)	(136)
	Book Value	208	221	208	221
Capital Work in Progress	Cost	425	475	425	468
Net Total Book Value		5,215	5,680	5,182	5,630

The aggregate of the latest Government Valuation (1999) of Land is \$155,000, Buildings is \$400,000, and Buildings on Leased Land is \$2,557,500. Assets have not been revalued.



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

	Group 2000 \$000	Group 1999 \$000	Parent 2000 \$000	Parent 1999 \$000
Surplus for the Year	3,685	3,200	3,683	3,176
Non Cash Items				
(Gain) Loss on Disposal of Fixed Assets	(17)	71	(17)	71
Capital Profit on Disposal of Fixed Assets	-	(59)	-	(59)
Revaluation of Foreign Currency Assets	(2)	2	(2)	2
Depreciation	1,511	1,638	1,494	1,635
Movement in Future Income Tax Benefit	50	(301)	48	(301)
Total Non Cash Items	1,542	1,351	1,523	1,348
Movements in Working Capital				
(Increase) in Receivables	(1,360)	(137)	(1,474)	(12)
Increase (Decrease) in Accounts Payable and Accruals	(183)	134	(68)	(18)
(Decrease) in GST and Income Taxation Payable	(17)	(27)	(17)	(29)
(Increase) in Inventories	(94)	(156)	(94)	(156)
Total Movement in Working Capital	(1,654)	(186)	(1,653)	(215)
Net Cash Flow From Operating Activities	3,573	4,365	3,553	4,309

→ Note 7 – Capital

Authorised, Issued and Fully Paid Capital consists of 5,000,000 Ordinary shares	5,000	5,000	5,000	5,000
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Share issue details and rights
Ordinary shares

As at 30 June 2000 there were 5,000,000 shares issued and fully paid (1999: 5,000,000). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

→ Note 8 – Accounts Payable and Accruals

Sundry Creditors and Accruals	1,108	1,137	1,060	1,016
Accounts Payable, including PAYE and GST	731	830	779	836
Employee Entitlements	889	1,018	889	1,018
Income in Advance	135	68	83	16
Total Accounts Payable and Accruals	2,863	3,053	2,811	2,886

→ Note 9 – Capital Commitments

Capital Commitments outstanding at balance date not provided for	-	6	-	6
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→ Note 10 – Lease Commitments

Non-Cancellable Operating Lease Commitments are:				
0-1 Year	92	88	92	88
1-2 Years	72	68	72	68
2-5 Years	99	77	99	77
5 Years and Over	152	47	152	47

→ Note 11 – Software Development Costs

Incomplete Software Projects as at 1 July	283	126	283	126
Software Development Costs Capitalised During the Year	473	453	473	453
Cost of Software sold to External Parties	(69)	(100)	(69)	(100)
Software Development Costs Capitalised	(466)	(196)	(466)	(196)
Incomplete Software Projects as at 30 June	221	283	221	283

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

→ Note 12 – Term Loan

Unsecured Bank Loan	1,000	1,000	1,000	1,000
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On 30 June 1998, MetService entered into a three year term loan agreement with the Westpac Banking Corporation. No security has been provided for this loan. The interest rate is fixed to 31 December 2000 at 6.78% pa.

→ Note 13 – Financial Instruments

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

Forward Contract Agreements	At balance date the notional principal or contract amounts of foreign currency agreements outstanding were (NZ\$):	190	434	190	434
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Meteorological Service of New Zealand Limited undertakes transactions denominated in foreign currencies from time to time and, resulting from these activities, incurs exposures to foreign currency risks. It is Meteorological Service of New Zealand Limited policy to hedge foreign currency risks as they arise. Meteorological Service of New Zealand Limited uses forward and spot foreign exchange contracts to manage these exposures.

Credit Risk

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

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

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

Interest Rate Risk

Meteorological Service of New Zealand Limited's short term deposits are at fixed interest rates and mature within 30 days.

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

b) Fair Values

There were no differences between the fair value and the carrying amounts of financial instruments at 30 June 2000.

→ Note 14 – Relationship with the Crown

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

→ Note 15 – Related Party Transactions

During the year, Meteorological Service of New Zealand Limited provided certain meteorological

services to the Minister of Transport under a significant contract. Meteorological Service of New Zealand Limited also undertakes transactions with other State-Owned Enterprises, Crown Research Institutes, and Government Departments. All the foregoing were carried out on a commercial and arm's length basis in the normal course of business.

→ Note 16 – Investment in Subsidiary

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

→ Note 17 – Dividend

Directors have declared a final dividend of \$1,215,000 (1999 \$1,020,000), and a further interim dividend of \$1,000,000, bringing the total dividend payment for the year to \$3,215,000 (1999 \$2,920,000).

→ Note 18 – Contingent Liabilities

The Company has a performance bond of \$24,000 (1999: \$0) issued by WestpacTrust relating to contracts with Transpower Limited.

Report of the Audit Office to the readers of the financial statements of Meteorological Service of New Zealand Limited for the year ended 30 June 2000.

We have audited the financial statements on pages 13 to 21. The financial statements provide information about the past financial performance and financial position of Meteorological Service of New Zealand Limited and Group as at 30 June 2000. This information is stated in accordance with the accounting policies set out on pages 16 to 17.

Responsibilities of the Board of Directors

The State-Owned Enterprises Act 1986 and 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 2000 and the results of its operations and cash flows for the year ended 30 June 2000.

Auditor's Responsibilities

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

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

Basis of Opinion

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

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

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of 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.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no 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 Meteorological Service of New Zealand Limited and Group as far as appears from our examination of those records; and
- the financial statements of Meteorological Service of New Zealand Limited and Group on pages 13 to 21:
 - comply with generally accepted accounting practice; and
 - give a true and fair view of:
 - the financial position of the Company as at 30 June 2000; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 18 August 2000, and our unqualified opinion is expressed as at that date.

T J Fairhall

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

PricewaterhouseCoopers

