Joining Forces

annual report 2001/02

METSERVICE METRA

Our 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.

Our mission

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

Our achievements

It has been ten years since the New Zealand Meteorological Service evolved from being part of a government department into a state enterprise.

We are proud of our success and the growth of the organisation over this time. Each year we take significant steps forward in developing and improving the services we provide, this approach has been instrumental to our past successes and is essential for our future growth.

This year's Annual Report puts the spotlight on some of the milestones we've achieved, from expanded modelling capabilities to indices for pasture growth rates. We also look back at some of the highlights from the last ten years to celebrate just how much has been accomplished, and to appreciate how our technology has developed.

In today's rapidly changing business environment we will continue to lead by remaining true to our vision. Each and every person in our organisation has contributed to our present growth. It has been a great twelve months, a fantastic decade, and we're looking forward to many more successful years ahead.

SNOWIE REPLACES PERSPEX AND GREASE PENCILS

In 1996 MetService developed and implemented SNOWIE (System for Natural On-screen Weather Information Exploitation) that brings together on one display all the information that forecasters need to analyse and forecast weather patterns. Weather observations are combined with satellite images and global computer model forecasts. Forecasters use SNOWIE to quickly and easily draw both analysis and forecast weather maps completely on the screen, replacing grease pencil on perspex.

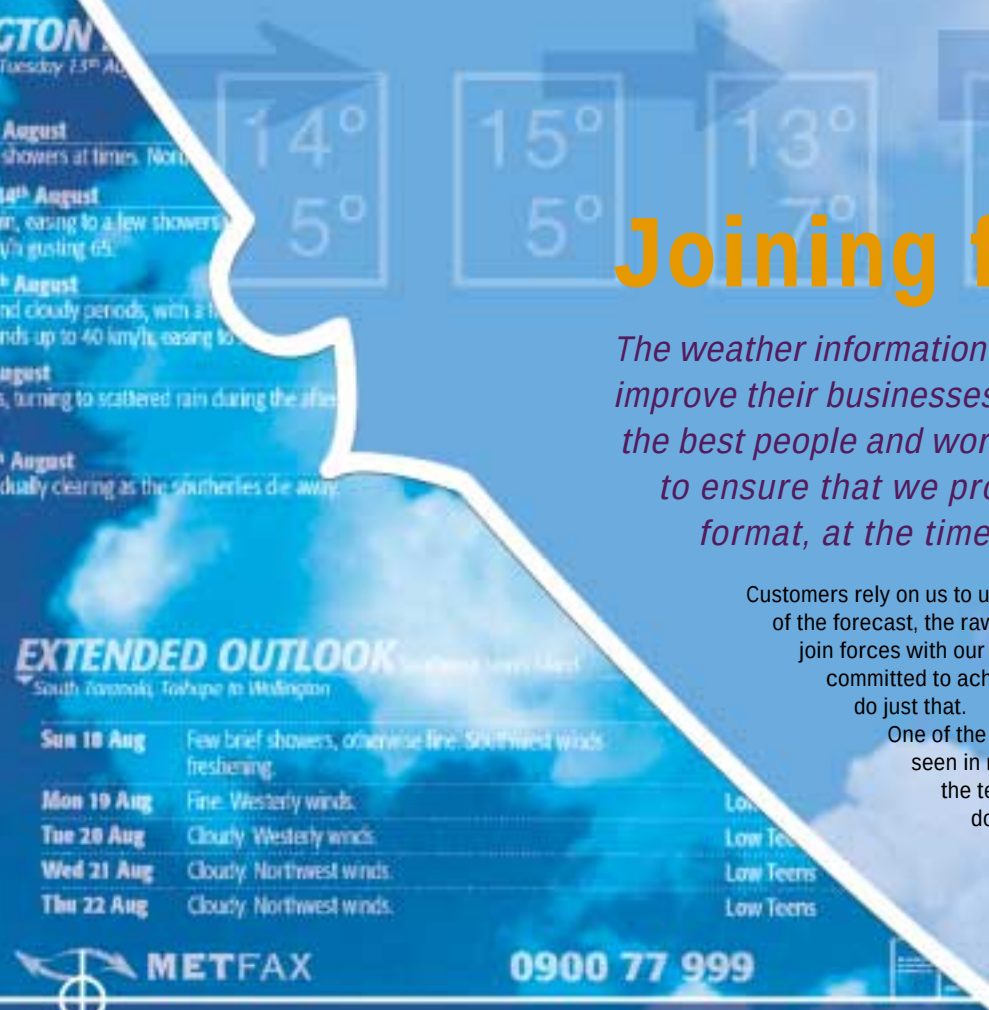
Joining forces

The weather information we provide is part of helping our customers improve their businesses, services, and day to day lives. We employ the best people and work with top suppliers and partner companies to ensure that we provide the right information, in the correct format, at the time it's needed.

Customers rely on us to understand their needs, whether this is in the level of sophistication of the forecast, the raw data they require or the frequency or method of delivery. When we join forces with our customers we believe that it is a long term relationship. We are committed to achieving results, and we tailor-make our services to ensure that we do just that.

One of the best examples of this is the development of the weather templates seen in most New Zealand newspapers. Each day we are trusted to deliver the templates to the papers, on time, and in a format that they can simply download on to their systems for publication.

By joining forces with our customers and partners we continue to provide world class weather information and presentation services that make a real difference to businesses and people's lives around the globe.



10 day forecasting

In 2001 MetService operationally implemented the ten day forecast. This is the first time in nearly twenty years that the forecast window has been extended in New Zealand. The use of ensemble prediction systems has made this advance possible. The extended forecast is available in MetNet, MetConnect, and MetFax.

Chairman's report

On behalf of the Board of Directors I have pleasure in reporting an after tax operating surplus of $2.9m, which represents an after tax return on shareholders' funds of 41.9%. Despite this result being lower than last year's record surplus it is substantially ahead of the target set for the year. This has been achieved through higher than expected revenue growth and tight control of operating costs. Depreciation has also been substantially lower than expected, through careful management of the capital expenditure programme.

Positioning for the future

A decrease in the after tax operating surplus from the $3.7m in 2001 was anticipated when the Business Plan was prepared last year. This reflects the investments being made by MetService in additional staff, international marketing initiatives, and the development of infrastructure assets that will enable the company to survive and prosper over the next decade. Taking a long-term view, we believe that these investments in replacement of key infrastructure, and in enhanced capability for growth and new services, are creating a significant increase in shareholder value.

A decade of success

Over ten years ago, when the transformation of the New Zealand Meteorological Service into a State Enterprise was being considered, there were many critics who argued that it wouldn't work. The arguments ranged from "it's science not business" to "forecasting quality will suffer in the search for profit". I firmly believe that the results of the last ten years have proven the critics wrong, and in this Annual Report we have indulged ourselves a little by reflecting on some of the most significant achievements in that time. In fact, not only has MetService been a resounding success in terms of improving forecast accuracy, customer satisfaction and financial performance, but also many countries around the world have sought our advice and consultancy services on how we accomplished these results.

WEATHERSCAPE DEVELOPMENTS

In 1995 MetService and Television New Zealand worked together to develop leading edge 3D television weather graphics presentation software. The product was christened Weatherscape and was launched on TV1's evening weather show in May 1996. This innovative development is now being used around the world; in Australia with Nine Network and in Asia, Europe, and Turkey on the CNBC Networks.

Business situation

Any review of the year would be incomplete without reflecting on last year's terrorist attacks on the USA. The appalling events of September 11 2001 significantly influenced an already troubled international aviation market. MetService had planned for substantial growth in services to this market during the year, but the downturn had a major impact on these plans. Despite this, MetService has augmented its aviation business by becoming the primary supplier of significant weather charts to Cathay Pacific Airlines for their worldwide operations and has implemented trials of its suite of aviation weather products with three other major airlines in Asia.

Domestically there has been some consolidation in the media industry, reducing the number of customers that we serve. However these losses have been more than offset by additional services taken by a number of newspaper clients.

Looking forward

As much as it is pleasant to take a moment to reflect on past successes, it is far more exciting to look forward to the opportunities that are on the horizon for MetService. MetService's wholly owned subsidiary, Metra Information Limited, has continued to increase its presence in the highly competitive UK and European energy markets, with eight UK energy generators now contracted to take weather information. Trials have also been established with a number of others in the UK, Poland, Italy, and the Netherlands.

During the year MetService strengthened its global focus by acquiring the metservice.com domain name, and implementing a major revamp of its web presence. www.metservice.com was officially launched in December 2001 and is a showcase for MetService's many services, whether they are available domestically or internationally.

Weather forecasting and climate review

In July 2001, at the request of the Ministers for Crown Research Institutes and for State Owned Enterprises, an independent review of New Zealand's Weather Forecasting and Climate Services was carried out. The review was concluded in December, and Ministers asked the Boards of the Meteorological Service of New Zealand Ltd and National Institute of Water and Atmospheric Research to hold further discussions on a range of options put forward by the review panel. These discussions took place in February and March 2002, and have proved useful in clarifying the relationship between the two organisations. We hope that they will lay the groundwork for futher useful collaborations in areas where the two organisations have complementary skills or capabilities. I would like to take this opportunity to thank John Lumsden and his management team for the time spent working on the review and the subsequent discussions. In May 2002 one director from each organisation was appointed to the Board of the other.

Changes in board membership

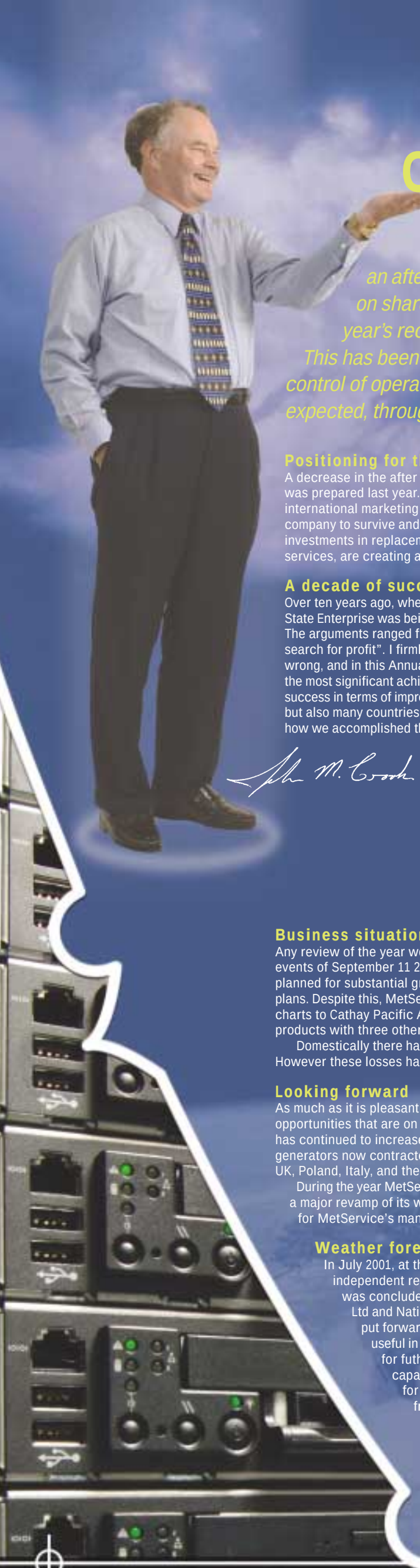
The board of directors has undergone numerous changes this year. During the year Rob Tait, Geoff Thompson, and Kate Hazlett completed their terms as directors, and we welcomed five new directors to the Board: Shale Chambers and Graham Hill, both from Auckland, Wendy London from Hawera, John Hercus from Christchurch, and Thomas Jamison from Otaki. Margo Buchanan-Oliver, an existing director, has been appointed as Deputy Chairman. I thank all the directors for their contribution to the growth and direction of the company, and to the excellent result achieved 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 in support of MetService's business mission and service to customers.

John M Crook
Chairman



International expansion

During the year MetService has continued to develop and refine its capabilities in automated mesoscale forecasting. The use of a clustered approach to high performance computing using powerful "off the shelf" computers has proven to be a cost effective and high value solution. This has allowed MetService to rapidly expand its modelling programme to cover Europe and can be applied globally.

From the Chief Executive

MetService has completed its first ten years of corporate operation by expanding its range of meteorological services, refining its weather prediction modelling capabilities, replacing legacy software systems, promoting key services in overseas markets, and recording a profit significantly ahead of target. The guidance of the directors, the support of our customers and suppliers, the relationships with other organisations, and especially the skills and enthusiasm of our employees, have produced this success.

Enhanced infrastructure

During the year the company made a number of upgrades to its operational capability. A new meteorological satellite receiving antenna was installed at Kelburn. This now receives cloud imagery from the GOES-W satellite operated by the USA, and supplements the data transmitted by the Japanese operated GMS-5 satellite that is at the end of its operational life. MetService obtains soundings of the upper atmosphere from contractors at eight stations throughout New Zealand. One of these stations is on Raoul Island in the Kermadec chain 1,000 km northeast of mainland New Zealand. There, hydrogen for balloon filling was generated by the dissolution of aluminium in caustic soda, a process that has been in place for many years but is now obsolete. A new generator, using proton exchange membrane technology, was installed taking advantage of available maritime transport during the Department of Conservation's rat eradication exercise. We now have a modern installation that produces purer hydrogen resulting in measurements being taken from higher levels in the atmosphere.

EMBRACING INTERNET TECHNOLOGIES

During the last decade the world has witnessed the proliferation of the Internet. MetService has been at the forefront of this technological revolution using the Internet to deliver services to many sectors including radio stations, industry, the public, and airlines via products like the Weather Web Page for Radio, MetConnect, MetNet, MetWeb, MetJet, and WeatherTrak.

The forecasts available on MetPhone have been recorded for many years by people working on shifts as "voice loaders". In order to increase capacity and improve productivity, the company has been seeking a Text to Speech software solution that is appropriate for weather forecast messages and which is able to properly pronounce meteorological terms and Maori place names. A system was chosen, 500 Maori place names were added to its dictionary, and tuning to optimise clarity has been carried out. It was in initial public trial in June 2002, and launched in August.

Our largest infrastructure project is Project ICE (Information Customisation Engine). When this $2.3 million thirty month project is completed in 2003, we will have: a core system for data storage, access, and delivery; modules for forecast layout, scheduling, and delivery; and reliability enhancements to provide robustness in a continuous operational environment. This will permit the retirement of legacy software, increase capacity to add new services, and improve productivity.

New forecast services

Some forecasts are now being routinely produced for the next ten days based on skills we have acquired in using ensemble model information. The last time the forecast period was extended was to five days in 1983.

A Pasture Growth Forecast is now available through MetConnect, and is sponsored by fertiliser company Summit Quinphos. Its main purpose is to forecast general pasture growth rates in a variety of conditions over a period of ten days for sixteen regions throughout New Zealand.

Lightning data for New Zealand is now being supplied to a number of customers. This data is collected from the system installed and operated for electricity distributor Transpower.

Following agreement last year with the Ministry of Transport, we have produced and disseminated additional forecasts for the public good. These include new road snowfall warnings, additional marine forecasts, a free subscription service for automatic e-mailing of severe weather warnings, and a severe weather outlook three to six days out – all available on our website.

Although these new services comprise a major extension to our capabilities, the one with the biggest potential long term impact is based on the research and development that we have applied over a number of years to high-resolution mesoscale modelling. The weather modelling team at MetService continues to develop ways to significantly improve spot forecast accuracy using the Mesoscale Model 5, developed jointly by Pennsylvania State University and the US National Center for Atmospheric Research.

To provide the computational power, MetService uses "Beowulf Clusters" consisting of PCs running the Linux operating system, all connected together via a high-speed local network. This approach allows for easy expansion when required and is extremely cost effective. As well as running over New Zealand (with America's Cup syndicates receiving forecasts at a resolution of under two kilometres) MetService now provides spot forecasts to private sector clients in Europe and elsewhere.

New technologies

Successful weather forecasting requires timely and accurate data. During the year MetService has continued to develop and implement improvements in its data acquisition network. A Proton Hydrogen Generator has been installed on Raoul Island replacing the less reliable chemical hydrogen production process, satellite receiving equipment has been installed on the roof of the Kelburn office to provide an alternative source of satellite imagery, and iSTAR, MetService's own modular automatic weather station software has been installed at Kaitaia Hospital.

International growth

The company has continued to develop its capability to provide services to customers around the world, concentrating on the aviation, media, and energy industries.

Our new WeatherTrak product, that allows airlines to schedule the availability of weather information specific to each flight, has been demonstrated to many operators, several of whom have conducted trials. It is now in service at airlines in Asia, and the Pacific. An additional service, MetJet, is also in operation, either as a back-up to larger systems, or as a stand alone service for smaller operations.

Weatherscape, the graphics presentation product for television weather broadcasts, has been enhanced for our Australian customer, and has been favourably reviewed by potential customers in Asia and Europe. Work on the next generation of graphics is ongoing, as well as on an interface that will allow more flexibility at the customer's studio, and we are confident that this will be well accepted.

MetraEnergy services, based on our site specific mesoscale modelling capability, are in commercial use at several Australasian and European power plants, and are appreciated for their accuracy and timeliness. Development for other sectors of the energy market continues.

In addition we have been active in an array of other international activities. For example we have provided an automatic weather station to Lahore in Pakistan, are training meteorologists for Singapore and Fiji, and have provided consultancy services to several national meteorological services.

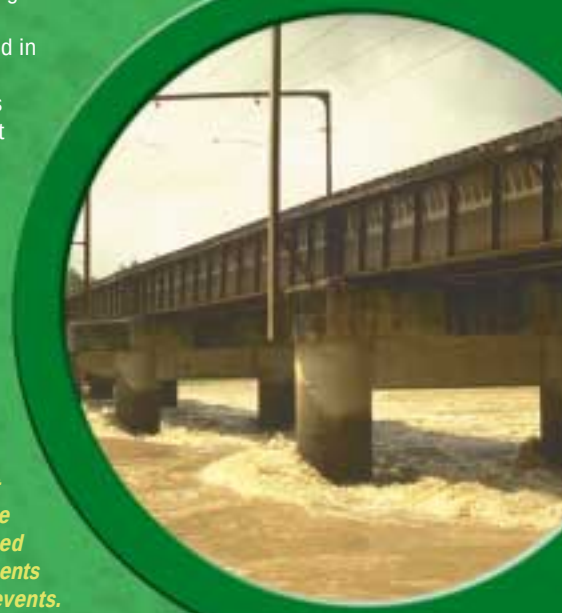
In order to give global visibility for the services that the Company can offer, we have created a new corporate website www.metservice.com, which is laid out in a manner that showcases our services from a customer perspective. It also leads to the traditional site www.metservice.co.nz that has information on the company, a learning centre with a large amount of meteorological information and records, and all the current forecasts and warnings produced under contract to the New Zealand Ministry of Transport.

Close to home

Our forecasters had another busy and successful year, with accuracy scores for severe weather again better than target (see non-financial performance indicators).

MetService's quality management system was recertified to the revised ISO9001:2000 standard in September 2001. Similarly we retained our certification to Civil Aviation Rule Part 174 with a high quality score. We believe that the high level of commitment to quality management over the years has been a contributor to both reliability and efficiency; we have given presentations on this aspect of management in international fora such as sessions of the World Meteorological Organization.

Changes in the channels of dissemination of New Zealand weather information continue. We have been affected by the consolidation of cable/satellite services, the merging of Wellington's newspapers, and the move from telephone to Internet access for forecasts. Despite the change in mix our domestic revenue continues to increase. We had a successful year with MetNet, launched to replace our weather service previously provided by a major New Zealand ISP.



SEVERE WEATHER FOCUS

Since MetService was established as a State Enterprise in July 1992 significant efforts have been made to improve the forecasting and warning of severe weather events. This has included a dedicated forecasting position focused on severe weather, development of fine scale mesoscale models, and improvements to the communication of information about expected severe weather events.

Collaborating with business

MetService is dedicated to working with organisations to develop prediction systems that are relevant for specific industry requirements. Recent successes include collaboration with AgResearch and Summit Quinphos to produce the Pasture Growth Forecast, which provides farmers with the daily average pasture growth rates out ten days, and with Dexcel to produce the Cow Heat Stress Index. These forecasts are available on the Internet, MetPhone, and MetFax.

WMO

The World Meteorological Organization, a specialised agency of the United Nations, facilitates advances in meteorology for the benefit of all countries. As Permanent Representative for New Zealand, I ensure that the meteorological community benefits from participation. As well as attending the quadrennial South Pacific Regional Association meeting, where I presented the case for the establishment of a Regional Climate Centre proposed by the National Institute of Water and Atmospheric Research of New Zealand, I participated at the WMO Executive Council as an adviser to the Regional Association President. A major issue at WMO is the Programme and Budget, as well as the matter of quality certification, the benefits of which are yet to be accepted by most national meteorological services.

During the year, Neil Gordon presided over the WMO Commission for Aeronautical Meteorology, and Steve Ready chaired the Regional Association Tropical Cyclone Committee. In addition, we hosted the Regional Association Working Group on Hydrology at our Kelburn Headquarters.

People

Staff numbers have grown to 165, as we have a new intake of meteorological trainees, and are investing in software developments. The median length of service is 10 years, and we are very pleased with the enthusiasm, initiative and competence of our people. During the year a meteorologist career structure was devised and implemented, providing the potential for professional growth from trainee to expert meteorologist.

Our tenth anniversary was celebrated with a function for staff at the WestpacTrust Stadium in Wellington in late June.

At this point I would like to thank all employees for their contribution to a successful year and a great first ten years as a corporate organisation. I would also like to thank our suppliers and our customers for being our partners. The directors have actively supported the company, and provided me with guidance, which is appreciated. Relationships with CCMAU and Treasury have been positive and supportive and I wish to acknowledge them also.

Outlook

The company has taken on Project ICE, knowing that it would depress profits in the medium term, but produce more favourable results in the future. We have our international growth strategy in place, emphasising services to the media, aviation and energy industries, and in the near term will be working to secure significant new international business. Domestic market opportunities are not quite as evident; nonetheless we will ensure that our organisation is equipped to provide weather and information services that are innovative and valuable to our New Zealand customers.

John R Lumsden
Chief Executive

10 years of success

In the ten years since MetService was transformed into a State Enterprise, there have been many milestones, memorable moments, and causes for celebration. We have considered all of these events and have selected ten of the most significant. There are many others that could have been included in this list.

1994

In May 1994, MetService became the first national weather forecasting service in the world to be awarded International Standards Organisation quality certification when its Aviation Division received ISO 9001 certification. The whole Company gained certification in November 1995 and maintains that certification today.

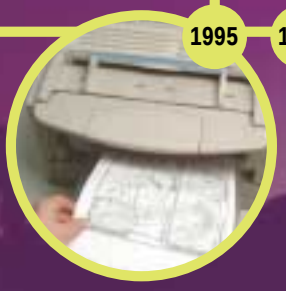
MetService paid a maiden interim dividend of $400,000 to shareholders in January 1994. Since then dividend payments totalling $25,755,000 have been made to the Crown. MetService was commercially strong enough to repay $3.0m of capital and the $1.0m establishment loan back to the Crown in its first four years of operation.

After airport observations were contracted out to the Airways Corporation in 1994, the Christchurch office was transformed into a media graphics unit dedicated to the production of newspaper weather graphics. The office now routinely prepares over 250 templates every week.

1995

MetService established a 100% owned subsidiary company to focus on international growth opportunities. The subsidiary, renamed Metra Information Limited, gained its first customer in Australia with the successful sale of a weather graphic to the Sydney Daily Telegraph published for the first time on July 24 1995.

MetFax, a cost effective and efficient source of weather forecasts including charts, was introduced in October 1995 to complement MetService's other 0900 service, MetPhone.



1995

MetService has used the skills developed in preparing camera-ready weather templates for newspapers to diversify into non-weather graphics. Using the Metra brand, MetService developed television listings (first published in the Christchurch Press in June 1997), sharemarket listings (first published in the NZ Herald in May 1998) and TAB Super 12 betting odds (pictured).

1996

MetService and Television New Zealand developed Weatherscape, a sophisticated 3D-weather graphical presentation system. Launched on TVNZ's One Network News in May 1996, it has since been sold to the Channel Nine Network in Australia and the CNBC stations in Asia, Europe, and Turkey.

1997

1998

Since 1998 MetService has made rapid progress in implementing an in-house fine-scale weather modelling capability, running on cost-effective clusters of PCs. As well as providing guidance for New Zealand forecasting, this model is increasingly the basis for many customised forecast services in NZ and overseas.

MetService employees have been internationally recognised by their peers. John Lumsden was the elected Vice-President of WMO Regional Association V between 1995 and 1998, Dr Neil Gordon is the President of WMO Technical Commission on Aeronautical Meteorology, Steve Ready is the Chairman of the WMO Regional Association V Tropical Cyclone Committee, and Garry Clarke is held in such high regard by some Pacific Island nations that he represents them at official WMO meetings.

2000

In November 2000 MetService commenced an infrastructure renewal project named ICE (Information Customisation Engine). When completed in early 2003, ICE will provide a forecast database integrated with a set of customer service definition and scheduling facilities that will underpin expected business growth, and reduce development time for new products and services.

Notable performances

The Chairman's Awards 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.

Paul Harris & Bruce Hartley
Paul and Bruce were key members of the team that developed and built the iSTAR modular automatic weather station software.

Neil Gordon
Neil played a major role in responding to the independent panel that performed the NIWA MetService review.

Henry Hill Award

Ian Miller, one of MetService's meso-forecasters, is this year's recipient of the Henry Hill Award. This 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.

Ross Marsden
Ross has shown initiative and innovation in creating tools that give forecasters easy and fast access to information.

Paul Mallinson
Paul developed the 10 day forecast; taking it from a bright idea to an operational product.

Liz McLaughlin
Liz took it upon herself to organise forecaster seminars that foster enthusiasm and contributes to the knowledge and skills of forecasters.

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 2002.

For, and on behalf of the Board, which authorised the issue of the financial report on 20 August 2002.

Margo Buchanan-Oliver
Deputy Chair

Shale Chambers
Director

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.

Results of operations	2002 $000	2001 $000
Net Surplus attributable to Shareholders	2,883	3,711
Interim Dividends Paid	(1,450)	(1,100)
Final Dividend Paid	(1,125)	
Retained Earnings at beginning of the year	**3,426**	**815**
Retained Earnings at end of year	**3,734**	**3,426**

CHANGES IN CAPITAL

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

REMUNERATION OF EMPLOYEES

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

$000	Number
100 – 109	4
110 – 119	1
130 – 139	1
150 – 159	1
160 – 169	1
180 – 189	1
310 – 319	1

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 $24,000 ($26,000 2001) and – Other Services $9,000 ($14,000 2001), and Metra Information Limited – Audit $3,500 ($3,500 2001).

DIRECTORS

In accordance with the Constitution of the Company, directors are appointed by shareholding Ministers. R Tait and G Thompson completed their terms of office and retired on 30 November 2001, K Hazlett completed her term of office and retired on 31 March 2002. S Chambers, W London, and G Hill were appointed to the Board in November 2001 and T Jamison and J Hercus were appointed to the Board in May 2002.

DIRECTORS' REMUNERATION

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

	$000
J M Crook	38
M Buchanan-Oliver	20
G Hill	12
S Chambers	12
W London	12
T Jamison	2
J Hercus	2
K Hazlett	14
R Tait	8
G Thompson	8
Total Directors' Remuneration	**128**

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

DIRECTORS' INTERESTS

Interests register

G Hill gave general notice that, as a director of the National Institute of Water and Atmospheric Research (NIWA), he will be interested in all transactions between NIWA and MetService.

J Hercus gave general notice that, as a director of the National Institute of Water and Atmospheric Research (NIWA), he will be interested in all transactions between NIWA and MetService.

M Buchanan-Oliver gave general notice that, as a director of Vector, she will be interested in all transactions between Vector 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.

KEY PERFORMANCE INDICATORS *for the year ended 30 June 2002*

	Statement of Corporate Intent Target	Actual 2002	Actual 2001
Net Surplus attributable to Shareholders	$2,469,000	$2,883,000	$3,711,000
Net Surplus attributable to Shareholders : Average S/H Funds*	35.9%	41.9%	58.8%
EBIT : Total Tangible Assets	32.3%	34.1%	45.0%
Current Ratio*	0.92:1	0.96:1	1.18:1
Equity Ratio*	62.0%	53.0%	54.1%
Net Surplus attributable to Shareholders : Total Sales	10.3%	12.0%	15.6%
Accounting Value of Crown's Investment	$7,362,000	$8,734,000	$8,426,000
Probability of Detection (POD)	**Minimum**		
Heavy Rain	75%	89%	88%
Heavy Snow	75%	86%	86%
Severe Gales	75%	82%	75%
False Alarm Ratio (FAR)	**Maximum**		
Heavy Rain	40%	32%	19%
Heavy Snow	40%	28%	32%
Severe Gales	40%	27%	28%
Quality Certification			
We retained full ISO 9001:2000 re-certification and are happy to record that the quality system auditors found us fully compliant. We also retained our Civil Aviation Rule Part 174 certification again receiving re-certification with a high standard against the measurement criteria.			

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

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

** Calculation of ratios include dividends declared post balance date (see note 17) but not included in the Statement of Financial Position.*

WARNING CRITERIA

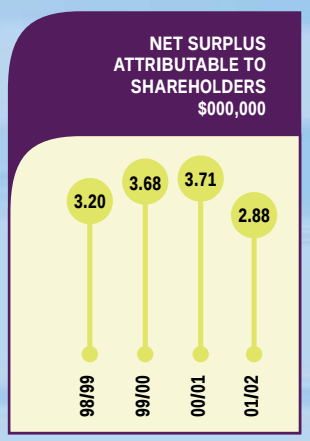
MetService is required to issue warnings of widespread hazardous weather which may cause conditions that could threaten life or property on land. Warnings are issued to a variety of organisations and the media, in the form of Severe Weather Warnings.

Warnings of heavy rain are issued when:
rain is expected to exceed 50mm in six hours; or rain is expected to exceed 100mm in 24 hours

Warnings of heavy snow are issued when:
snow is expected to affect areas below 1000m in the North Island; and snow is expected to affect areas below 500m in the South Island; and
snow is expected to exceed 10cm in six hours, or 25cm in 24 hours

Warnings of severe gales are issued when;
sustained winds are expected to exceed 47kt or gusts exceed 60kt, over land

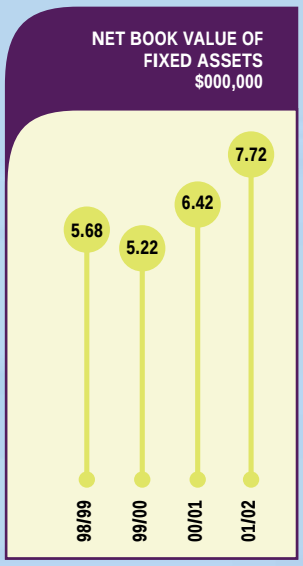
Financial statements



STATEMENTS OF FINANCIAL PERFORMANCE *for the year ended 30 June 2002*

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
REVENUE					
Operating Revenue		24,259	23,826	23,501	23,223
Total Revenue		**24,259**	**23,826**	**23,501**	**23,223**
EXPENSES					
Audit Fees		28	30	24	26
Fees for Other Services provided by Auditor		9	14	9	14
Costs of Operating Leases and Renting Items		133	105	133	105
Bad Debts written off		3	120	3	120
Depreciation		1,809	1,484	1,779	1,462
Directors' Fees		128	102	128	102
Gain on sale of Fixed Assets		(4)	(4)	(4)	(4)
Software Development Expenditure		13	27	13	27
Other Expenses		17,809	16,487	17,040	15,800
Total Expenses		**19,928**	**18,365**	**19,125**	**17,652**
Operating Surplus		**4,331**	**5,461**	**4,376**	**5,571**
Net Finance Revenue (Expense)	4	12	92	10	88
Surplus Before Taxation		**4,343**	**5,553**	**4,386**	**5,659**
Taxation Expense	3	(1,460)	(1,842)	(1,474)	(1,875)
Surplus attributable to Shareholders		**2,883**	**3,711**	**2,912**	**3,784**
RETAINED EARNINGS					
Retained Earnings brought forward		3,426	815	3,509	825
Dividends	17	(2,575)	(1,100)	(2,575)	(1,100)
RETAINED EARNINGS CARRIED FORWARD		**$3,734**	**$3,426**	**$3,846**	**$3,509**

The accompanying Notes to the Financial Statements on pages 16 to 22 form part of these Financial Statements.



STATEMENTS OF FINANCIAL POSITION *as at 30 June 2002*

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
EQUITY					
Capital	7	5,000	5,000	5,000	5,000
Retained Earnings		3,734	3,426	3,846	3,509
Total Equity		**8,734**	**8,426**	**8,846**	**8,509**
LIABILITIES					
Accounts Payable and Accruals	8	2,998	2,763	2,933	2,685
Provisions	19	318	306	318	306
Directors' Fees Payable		26	27	26	27
Provision for Taxation		48	59	61	93
Total Current Liabilities		**3,390**	**3,155**	**3,338**	**3,111**
Term Loan	12	1,000	1,000	1,000	1,000
Total Non Current Liabilities		**1,000**	**1,000**	**1,000**	**1,000**
TOTAL LIABILITIES AND EQUITY		**$13,124**	**$12,581**	**$13,184**	**$12,620**
ASSETS					
Cash on Hand at Bank		258	123	55	47
Accounts Receivable – Trade		2,189	2,203	2,115	2,109
Accounts Receivable – Other		869	593	425	386
Amounts Owing from Subsidiary		-	-	869	448
Deposits		1,220	2,220	1,220	2,220
Inventories		433	520	433	520
Total Current Assets		**4,969**	**5,659**	**5,117**	**5,730**
Future Income Tax Benefit	3	434	457	432	456
Other Assets		-	43	-	43
Fixed Assets	5	7,721	6,422	7,635	6,391
Total Non Current Assets		**8,155**	**6,922**	**8,067**	**6,890**
TOTAL ASSETS		**$13,124**	**$12,581**	**$13,184**	**$12,620**

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 20 August 2002.

Margo Buchanan-Oliver
Deputy-Chair

Shale Chambers
Director

STATEMENTS OF MOVEMENTS IN EQUITY *for the year ended 30 June 2002*

	Notes	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
EQUITY AS AT 1 JULY		**8,426**	**5,815**	**8,509**	**5,825**
Surplus for the Year		2,883	3,711	2,912	3,784
DIVIDENDS PAYABLE IN CASH					
Interim Dividends	17	(1,450)	(1,100)	(1,450)	(1,100)
Final Dividend	17	(1,125)	-	(1,125)	-
EQUITY AS AT 30 JUNE		**$8,734**	**$8,426**	**$8,846**	**$8,509**

The accompanying Notes to the Financial Statements on pages 16 to 22 form part of these Financial Statements.

STATEMENTS OF CASH FLOW *for the year ended 30 June 2002*

	Note	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was Provided from:					
Receipts from Customers		24,136	23,735	23,155	22,950
Interest Received		94	160	91	156
Cash was Applied to:					
Payments to Suppliers and Employees		(17,927)	(16,619)	(17,155)	(15,907)
Interest Paid		(83)	(70)	(83)	(70)
Income Taxation Paid		(1,449)	(1,728)	(1,449)	(1,726)
Net Cash Flow from Operating Activities	**6**	**4,771**	**5,478**	**4,559**	**5,403**
CASH FLOW FROM INVESTING ACTIVITIES					
Cash was Provided from:					
Deposits Repaid		1,043	558	1,043	558
Cash was Applied to:					
Purchase of Fixed Assets		(3,104)	(2,687)	(3,019)	(2,665)
Net Cash Flow Applied to Investing Activities		**(2,061)**	**(2,129)**	**(1,976)**	**(2,107)**
CASH FLOW FROM FINANCING ACTIVITIES					
Cash Applied to:					
Dividends		(2,575)	(3,315)	(2,575)	(3,315)
Net Cash Flow Applied to Financing Activities		**(2,575)**	**(3,315)**	**(2,575)**	**(3,315)**
Net Increase (Decrease) in Cash Held		**135**	**34**	**8**	**(19)**
Add Opening Cash brought forward		123	89	47	66
ENDING CASH CARRIED FORWARD		**$258**	**$123**	**$55**	**$47**

The accompanying Notes to the Financial Statements on pages 16 to 22 form part of these Financial Statements.

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.

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.

Particular accounting policies

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

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

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 in which they are identified.

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.

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

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.

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	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.

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

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

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

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.

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.

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.

Statement of cash flows
The following are definitions of the terms used in the statement of cash flows:

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

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

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

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

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

Principles of consolidation
The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 2002 using the purchase method.

The results of any subsidiary acquired or disposed of during the year are included in the statement of financial performance from the date of acquisition or disposal.

All significant transactions between Group companies are eliminated on consolidation.

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

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

2 SEGMENT INFORMATION

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

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
3 TAXATION EXPENSE				
SURPLUS FOR THE YEAR	**4,343**	**5,553**	**4,386**	**5,659**
Prima Facie Taxation thereon at 33 per cent	1,433	1,833	1,447	1,867
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	27	9	27	8
Taxation Expense	**$1,460**	**$1,842**	**$1,474**	**$1,875**
Current Taxation	1,437	1,814	1,450	1,844
Future Income Tax Benefit	23	28	24	31
Taxation Expense	**$1,460**	**$1,842**	**$1,474**	**$1,875**
Deferred Taxation				
Future Income Tax Benefit 1 July	457	485	456	487
On Surplus for the Year	(23)	(28)	(24)	(31)
Future Income Tax Benefit 30 June	**$434**	**$457**	**$432**	**$456**
Imputation Credit Account				
Imputation Credit Account 1 July	1,603	1,564	1,603	1,564
Income Taxation Paid during the Year	1,425	1,671	1,425	1,671
Imputation Credits attached to Dividends Paid during the Year	(1,268)	(1,632)	(1,268)	(1,632)
Imputation Credit Account 30 June	**$1,760**	**$1,603**	**$1,760**	**$1,603**
4 NET FINANCE EXPENSE				
Interest Revenue	94	162	92	158
Interest Expense	(82)	(70)	(82)	(70)
NET FINANCE REVENUE (EXPENSE)	**$12**	**$92**	**$10**	**$88**

		Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
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	(224)	(201)	(224)	(201)
	Book Value	223	246	223	246
Buildings	Cost	435	390	435	390
	Accumulated Depreciation	(84)	(73)	(84)	(73)
	Book Value	351	317	351	317
Buildings on Leasehold Land	Cost	1,521	1,515	1,521	1,515
	Accumulated Depreciation	(416)	(380)	(416)	(380)
	Book Value	1,105	1,135	1,105	1,135
Furniture and Fittings	Cost	542	493	541	492
	Accumulated Depreciation	(426)	(364)	(425)	(364)
	Book Value	116	129	116	128
Computer Equipment	Cost	9,200	7,464	9,044	7,392
	Accumulated Depreciation	(6,689)	(5,420)	(6,618)	(5,378)
	Book Value	2,511	2,044	2,426	2,014
Meteorological Equipment	Cost	6,622	6,301	6,622	6,301
	Accumulated Depreciation	(5,463)	(5,228)	(5,463)	(5,228)
	Book Value	1,159	1,073	1,159	1,073
Motor Vehicles	Cost	165	216	165	216
	Accumulated Depreciation	(112)	(142)	(112)	(142)
	Book Value	53	74	53	74
Office Equipment	Cost	216	215	215	214
	Accumulated Depreciation	(160)	(172)	(160)	(171)
	Book Value	56	43	55	43
Plant and Equipment	Cost	475	434	475	434
	Accumulated Depreciation	(244)	(200)	(244)	(200)
	Book Value	231	234	231	234
Capital Work in Progress	Cost	1,798	1,009	1,798	1,009
TOTAL NET BOOK VALUE		**$7,721**	**$6,422**	**$7,635**	**$6,391**

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.

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
6 RECONCILIATION OF SURPLUS ATTRIBUTABLE TO SHAREHOLDERS WITH CASH FLOW FROM OPERATING ACTIVITIES				
SURPLUS FOR THE YEAR	**2,883**	**3,711**	**2,912**	**3,784**
Non Cash Items				
Gain on Disposal of Fixed Assets	(4)	(4)	(4)	(4)
Depreciation	1,809	1,484	1,779	1,462
Movement in Future Income Tax Benefit	23	28	24	31
Total Non Cash Items	**1,828**	**1,508**	**1,799**	**1,489**
Movements in Working Capital				
(Increase) in Receivables	(262)	(154)	(466)	(289)
Increase in Accounts Payable and Accruals	247	211	278	183
Increase (Decrease) in GST and Income Taxation Payable	(12)	86	(51)	120
Decrease in Inventories	87	116	87	116
Total Movement in Working Capital	**60**	**259**	**(152)**	**130**
NET CASH FLOW FROM OPERATING ACTIVITIES	**$4,771**	**$5,478**	**$4,559**	**$5,403**
7 CAPITAL				
AUTHORISED, ISSUED AND FULLY PAID CAPITAL CONSISTS OF 5,000,000 ORDINARY SHARES	**$5,000**	**$5,000**	**$5,000**	**$5,000**
Share issue details and rights				
Ordinary shares				
As at 30 June 2002 there were 5,000,000 shares issued and fully paid (2001: 5,000,000).				
All ordinary shares rank equally with one vote attached to each fully paid ordinary share.				
8 ACCOUNTS PAYABLE AND ACCRUALS				
Sundry Creditors and Accruals	1,201	1,058	1,167	1,031
Accounts Payable, including PAYE and GST	681	720	697	729
Employee Entitlements	853	731	853	731
Income in Advance	263	254	216	194
TOTAL ACCOUNTS PAYABLE AND ACCRUALS	**$2,998**	**$2,763**	**$2,933**	**$2,685**
9 CAPITAL COMMITMENTS				
CAPITAL COMMITMENTS OUTSTANDING AT BALANCE DATE NOT PROVIDED FOR	**$0**	**$323**	**$0**	**$323**

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
10 LEASE COMMITMENTS				
Non-Cancellable Operating Lease Commitments are:				
0-1 Year	115	92	115	92
1-2 Years	110	52	110	52
2-5 Years	241	120	241	120
5 Years and Over	181	135	181	135
11 SOFTWARE DEVELOPMENT COSTS				
Incomplete Software Projects as at 1 July	358	221	358	221
Software Development Costs Incurred During the Year	820	498	820	498
Cost of Software sold to External Parties or Written Off	(27)	(75)	(27)	(75)
Software Development Costs Capitalised to Fixed Assets	(582)	(286)	(582)	(286)
INCOMPLETE SOFTWARE PROJECTS AS AT 30 JUNE	**$569**	**$358**	**$569**	**$358**
Internally developed software costs for which there is an enduring benefit are capitalised to fixed assets and amortised over a period of three years.				
12 TERM LOAN				
UNSECURED BANK LOAN	**$1,000**	**$1,000**	**$1,000**	**$1,000**
On 30 June 1998, Meteorological Service of New Zealand Limited entered into a term loan agreement with the Westpac Banking Corporation. No security has been provided for this loan. The interest rate is fixed to 31 December 2002 at 5.95% pa (2001: 7.15%).				
13 FINANCIAL INSTRUMENTS				
Forward Contract Agreements				
AT BALANCE DATE THE NOTIONAL PRINCIPAL OR CONTRACT AMOUNTS OF OUTSTANDING FOREIGN CURRENCY AGREEMENTS WERE (NZD):	**$106**	**$106**	**$106**	**$106**
AT BALANCE DATE THE FAIR VALUE OF OUTSTANDING FOREIGN CURRENCY AGREEMENTS WERE (NZD):	**$101**	**$110**	**$101**	**$110**

There were no other differences between the fair value and the carrying amounts of financial instruments at 30 June 2002.

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

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

In the normal course of business amounts due from the 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.

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.

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 and Government Departments. All the foregoing were carried out on a commercial and arm's length basis in the normal course of business.

16 INVESTMENT IN SUBSIDIARY/JOINT VENTURE

The Parent Company's investment in the subsidiary comprises shares at cost. Metra Information Limited, a company involved with the provision of weather and information presentation services, is a wholly owned subsidiary with a 30 June balance date. Metra Information Limited has a 50% participating interest in Weatherscape Technologies, a joint venture with Television New Zealand Limited, for the development and marketing of television weather graphical presentations overseas. The joint venture accounts are unaudited.

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
16 INVESTMENT IN SUBSIDIARY/JOINT VENTURE CONTINUED				
Financial Performance				
Revenue	157	38	-	-
Expenses	(148)	(41)	-	-
NET CONTRIBUTION TO GROUP OPERATING SURPLUS	**($9)**	**($3)**	**-**	**-**
Financial Position				
The Group's share of assets and liabilities, proportionately consolidated was:				
Current Assets	585	293	-	-
Current Liabilities	(33)	(39)	-	-
NET ASSETS EMPLOYED IN THE JOINT VENTURE	**$552**	**$254**	**-**	**-**
17 DIVIDEND				
Interim Dividends				
Interim Dividends relating to 2001	(500)	(1,100)	(500)	(1,100)
Interim Dividends relating to 2002	(950)	-	(950)	-
	(1,450)	**(1,100)**	**(1,450)**	**(1,100)**
Final Dividends				
Final Dividend relating to 2001	(1,125)	-	(1,125)	-
	(1,125)	**-**	**(1,125)**	**-**
TOTAL DIVIDENDS PAID IN 2002	**($2,575)**	**($1,100)**	**($2,575)**	**($1,100)**

Post Balance Date
Directors have declared a final dividend of $1,780,000 (2001: $1,125,000), bringing the total dividend payment for the year to $2,730,000 (2001: $2,725,000)

18 CONTINGENT LIABILITIES

Meteorological Service of New Zealand Limited has no contingent liabilities as at 30 June 2002 (2001: Nil).

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
19 PROVISIONS				
Campbell Island Provision				
Opening Balance as at 1 July 2001	138	125	138	125
Movement in Provision	12	13	12	13
Closing Balance as at 30 June 2002	**150**	**138**	**150**	**138**
Termination Leave Provision				
Opening Balance as at 1 July 2001	168	168	168	168
Movement in Provision	0	0	0	0
Closing Balance as at 30 June 2002	**168**	**168**	**168**	**168**
TOTAL PROVISIONS AS AT 30 JUNE 2002	**$318**	**$306**	**$318**	**$306**

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 2002

We have audited the financial statements on pages 13 to 22. The financial statements provide information about the past financial performance and financial position of the Meteorological Service of New Zealand Limited and Group as at 30 June 2002. 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 the Meteorological Service of New Zealand Limited and Group as at 30 June 2002 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

Section 15 of the Public Audit Act 2001 and Section 19(1) of the State-Owned Enterprises Act 1986 requires the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report its opinion to you.

The Auditor-General has appointed Colum Rice, 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:
(a) the significant estimates and judgements made by the Board in the preparation of the financial statements, and
(b) 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 New Zealand 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 Auditor-General and as tax advisers, 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:
(a) 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
(b) the financial statements of Meteorological Service of New Zealand Limited and Group on pages 13 to 22:
  (i) comply with generally accepted accounting practice in New Zealand; and
  (ii) give a true and fair view of
    - Meteorological Service of New Zealand Limited and Group's financial position as at 30 June 2002; and
    - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 20 August 2002 and our unqualified opinion is expressed as at that date.

Colum Rice
On behalf of the
Auditor-General
Wellington
New Zealand

PricewaterhouseCoopers

Directory

Meteorological Service of New Zealand

Registered Office,
Level 2, 30 Salamanca Road,
PO Box 722, Wellington

Telephone +64 4 470-0700,
Facsimile +64 4 473-5231,
www.metservice.com

METSERVICE

METRA

Banker
Westpac Banking Corporation,
318 Lambton Quay,
PO Box 691, Wellington

Auditor
PricewaterhouseCoopers,
113-119 The Terrace,
PO Box 243, Wellington

On behalf of Controller and Auditor-General,
48 Mulgrave Street,
PO Box 3928, Wellington

Directors

JOHN CROOK
Chairman
Lower Hutt

GRAHAM HILL
Auckland

JOHN HERCUS
Christchurch

MARGO BUCHANAN-OLIVER
Auckland

SHALE CHAMBERS
Auckland

THOMAS JAMISON
Otaki

WENDY LONDON
Hawera

Executive Team

JOHN LUMSDEN
Chief Executive
lumsden@metservice.com

IAN MCEWAN
Chief Financial Officer and Company Secretary
mcewan@metservice.com

MARCO OVERDALE
Chief Information Officer
overdale@metservice.com

NEIL GORDON
General Manager,
National Weather Services
gordon@metservice.com

KEITH MACKERSY
General Manager,
Aviation Services
mackersy@metservice.com

DAVID KNOTT
General Manager,
Information Presentation Services
knott@metservice.com