



ANNUAL REPORT 2002/2003

A weather map of the North Atlantic and Europe. It features isobars (lines of equal pressure) labeled with values such as 1016, 1024, 1032, and 1036. High pressure systems (H) are marked with values like 1014, 1032, 1038, and 984. Low pressure systems (L) are marked with values like 1008, 1000, 998, 976, and 961. Wind speed vectors are shown with arrows and labels such as 10KT, 15KT, 20KT, 25KT, and 35KT. The map includes latitude and longitude lines, with labels like 40°E, 10°S, and 30°S. The text 'some are weather-wise some are otherwise' is overlaid in the center in white.

some are weather-wise
some are otherwise

BENJAMIN FRANKLIN, POOR RICHARD'S ALMANAC, FEB. 1735

The social and economic impact of weather is something that can't be ignored. Controlling it is impossible, but understanding and forecasting it can make a real difference to businesses and lives around the globe.

In New Zealand, predicting the weather has always been a serious pursuit. Our place in the world and the shape of our land combine to give us diverse and extreme conditions – sometimes literally four seasons in one day. To make your way in a country of extremes you need to interpret the elements – you need to be one step ahead. This is our heritage.

Today, MetService is a solid and profitable company with a strong international reputation. We are recognised for our excellent people, progressive technology, and ability to provide leading weather and information presentation services.

Our customers include international television, energy, and aviation companies, right through to small local businesses, and the people of New Zealand. They rely on us to understand their needs and to deliver the right information, in the right format, at the right time, to wherever they may be – New Zealand, Australia, Asia, the UK, and Europe.

The weather information we provide helps our customers improve their businesses, services, and day to day lives. We are committed to excellence because success in our business means helping our customers make wise decisions in theirs.



confidence



When customers rely on us they need to know we won't let them down. With this in mind, we are committed to achieving operational excellence – this includes our systems and our people. We have plans in place to ensure that whatever may arise, we will deliver on what we promise to our customers.

Planning ahead is the best way of being prepared and our Business Continuance Plan covers how to keep our business running in the event of any emergencies or disruptions. Our plans are tested on a regular basis by simulating different scenarios and monitoring our ability to respond to them.

We have invested considerably in our infrastructure to make sure that our systems won't let our customers or us down; this includes backup procedures, offsite data storage, emergency centres, and having back-up equipment available in the event of our internal systems being unavailable.

Of course all of this relies on the dedication of our staff. The people who work for MetService share a vision and a belief that what they do counts. We weave this into the very fabric of our organisation and the result is a team of people who will do whatever is needed to achieve results.

We have our own high standards but we're also proud to be recognised as meeting the ISO Standard. MetService is certified to the ISO 9001: 2000 Quality Management Standard for the design, development, and provision of Weather Information. We were the first National Meteorological Service operation in the world to achieve this certification.

We have plans in place to ensure that whatever may arise, we will deliver on what we promise to our customers.



knowledge



In any organisation you need the right knowledge to get the job done – that’s a given. For a business to excel, that knowledge has to be developed, used, and shared.

We are constantly looking to improve our existing services and create new ones to meet the needs of our customers. Whether we’re attending meetings of the Aviation Industry Association, spending time with a TV Station in Germany, joining forces with regional councils, keeping up to date on the progress of renewable energy sources, or understanding new issues in the farming industry – we make it our business to understand what we can do to generate value for our customers. It’s about thinking beyond the weather.

Our philosophy is that every single person at MetService should take responsibility for keeping up to date with developments in our organisation and industry. We encourage everyone at MetService to be proactive, curious and open. It’s important that we work together as a team, and contribute information and knowledge where it’s needed. These strong working relationships help us develop our business and make a valid contribution to yours.

We make it our business to understand what we can do to generate value for our customers.



ideas



Ideas are key for our business. We pride ourselves on being early adopters of new technology and bringing new thinking and solutions to our customers.

One example of this is MetService's development and refinement of capabilities in automated mesoscale forecasting. Our development of an in-house fine-scale weather modelling capability, using a network of high performance PCs, has proved to be a cost effective and high value solution for weather forecasting. As well as providing guidance for New Zealand forecasting, this approach is increasingly being used as the basis for customised forecast services globally.

As a business we don't believe in resting on our laurels. To stay one step ahead it's essential to analyse what we do and look for practical and effective ways to improve and develop our services. We are proud of our achievements including the ability to provide a ten-day forecast, extending the forecast window in New Zealand for the first time in nearly twenty years. We've also made major steps forward in the quality of our weather presentation services and Internet services including MetNet, MetConnect and MetJet.

We know that to be successful we must keep pushing the boundaries, turn ideas into reality, and meet the challenges that face our clients. Innovation is about making a difference to every single person and organisation we work with – this is what drives us and makes our job worth doing.

We know that to be successful we must keep pushing the boundaries.



passion



When people come into contact with anyone from MetService we believe they'll be struck by the passion we have for what we do. The energy of an organisation is a big contributor to the quality of the work it produces and the service it provides. We have been mindful of this in the structure of our business and the people we employ.

At MetService responsibility, trust, freedom, results, and commitment reign. A high level of integrity is expected, innovation is encouraged, and results are rewarded. To achieve great things we need to employ great people and keep them – that's why we are dedicated to creating and sustaining our unique internal culture.

We are a streamlined organisation and don't believe in unnecessary bureaucracy. Our focus is on providing customers with excellent ideas and solutions, and ensuring that they have access to the right people at the right time. MetService has no ivory towers – we're much more interested in getting involved and achieving results.

We celebrate individuality. Our internal processes have been developed by us to suit our unique requirements – this includes performance evaluations, recruitment, and training. Our commitment to individuality extends to working with customers – our focus is to understand, evaluate, and develop solutions that fit their specific requirements. Recent successes include collaboration with AgResearch and Summit Quinphos to produce the Pasture Growth Forecast and with Dexcel to produce the Cow Heat Stress Index.

Our belief is that the love of what you do and where you work is a starting point for excellence. This is at the heart of our organisation so our customers benefit from the best people working for their organisation.

Our belief is that the love of what you do and where you work is a starting point for excellence.



Over the years weather forecasting has become increasingly important both socially and economically.

OUR HISTORY

To provide an accurate forecast for the future you need to know and understand what happened in the past.

The observation and study of New Zealand's weather started as early as the 1840s. Weather forecasting services started in 1861 as a storm warning service in response to a spate of shipwrecks. From these beginnings, forecasting became the responsibility of the Department of Scientific and Industrial Research, then the Airforce, and later the Ministry of Transport.

Over the years weather forecasting has become increasingly important both socially and economically. Since 1992 when MetService became a State Enterprise we have achieved many milestones including being the first National Meteorological Service operation to be awarded ISO 9001 quality certification; establishing a subsidiary company – Metra – to focus on international growth; development of leading edge 3D weather presentation systems and in-house fine scale weather modelling.

Today, MetService is a dynamic and successful organisation internationally recognised for its expertise, and its weather and presentation services. MetService is made up of four main divisions: National Weather Services, Aviation Services, Information Presentation Services, and Development (systems and software).



OUR SERVICES

The weather information services offered by MetService are all designed to help our customers improve their businesses, services, and day to day lives. The services range from general forecast services to more specialised products designed to meet the needs of specific industries.

General Business Services: from short-term specialist forecasts, interactive weather maps, and detailed forecasts for New Zealand to swell forecasts for fast ferries and forecasting the effect of weather on avalanche dangers.

Aviation: Aviation Services helps airlines to operate more safely, efficiently, and cost-effectively in New Zealand and around the world.

Consultancy: the Forensic Consultancy service can supply information for situations affecting areas including insurance claims, court evidence, and assessing the impact of the weather on particular projects. MetService also offers international consultancy providing advice on all aspects of our business experience including ISO 9001, meteorological training, and technical assistance.

Marine Services: from freely available basic marine forecasts funded by the New Zealand government, to tailored forecasts designed to meet specific requirements for anything from oil exploration to individual voyages.



The weather information services offered by MetService are all designed to help our customers improve their businesses, services, and day to day lives.

Meteorological Systems: from Pakistan to Pitcairn Island, MetService has provided meteorological instrumentation systems to a wide variety of customers. In New Zealand most commercial airports are equipped with MetService's automatic weather stations and innovative display systems. We have now embarked on the development of a low cost system that will be ideal for small to medium businesses such as vineyards.

Industry Specific: if your industry is weather dependent then call us to find out how we can help you to keep your bottom line intact.

Internet: MetService can provide real-time weather information directly to your server for inclusion on your website or delivered via your own in-house applications.

Media: print, TV, and radio – MetService is a world leader in high-quality presentation packages to media outlets in New Zealand and globally including CNBC Asia, Europe, Arabiya, Turkey, and Channel Nine Network in Australia.

Primary Industries: services to agricultural and horticultural businesses including seasonal forecasts, frost forecasts, and drying indices; these services are essential to help businesses make the right decisions.





THE YEAR IN REVIEW 2002/2003



AF Small

Dr Francis Small
Chairman

NATIONAL WEATHER SERVICES

Services provided under our agreement with the Minister of Transport were performed to a high standard, as reflected in the forecast verification statistics. The probability of detection of heavy rainfall was 87%, above the target of 75%, while the false alarm ratio was 23%, successfully within the target of 40%.

MetService data systems performed very reliably, which was a credit to all involved, including contractors who take observations on our behalf. A new system was installed to receive images from the GOES-9 satellite, which the United States generously moved over the western Pacific to provide backup to the aging Japanese GMS-5 satellite, which ceased providing imagery in May.

Automatic weather station software was upgraded to improve international data exchange during New Zealand Daylight Time and enhance the data content for forecasters and MetService customers.

The automatic weather station at Hamilton Airport was upgraded to the leading edge PC-based iSTAR system. This system was developed by MetService to meet demands for a moderately priced system that can be readily configured for a range of different data acquisition applications.

In 2002, seven new MetService staff successfully completed our meteorologist training course. We also trained two staff from the Singapore Meteorological Service and one from Fiji. A further course is being planned for 2004 to ensure ongoing sustainable numbers of experienced staff to meet the demanding requirements for the most accurate weather predictions.



Our modelling capabilities were further enhanced. The forecasting of spot weather elements was improved using sophisticated statistical techniques, and expanded to a range of more than ten days. Fine scale weather modelling was also used to investigate wind shear that can be dangerous for aircraft operations at Dunedin Airport. This may lead to a computer-generated product, to provide operational assessments of wind shear likelihood.

We believe that there is a significant potential for enhancing warning services to cover more localised events, such as severe convection. We are developing new knowledge and expertise in the area of severe convection, including establishing an eight-year database of observed events over the country.

INFORMATION PRESENTATION SERVICES

In August, MetService was successful in securing Radio New Zealand as a valued customer.

Services to the New Zealand public were expanded, and improved. In August we implemented an automatic text to speech software system for 0900 MetPhone services, to provide more timely loading of forecasts and consistent voice quality at reduced cost.

We are participating in the growing mobile phone market by providing weather information to service providers. Exciting developments in new technology have permitted the transmission of animated colour graphics to mobile phones, and this complements an extensive range of text services to provide weather forecasts and observations.



John Lumsden
Chief Executive



Exciting developments include transmission of animated colour graphics to mobile phones and the release of Weatherscape XT.

Our web-based service MetConnect continued to find favour across many industry sectors. During the year, we worked closely with the National Institute of Water and Atmospheric Research (NIWA) to make available observations from their historical database. We also launched a new e-commerce Internet service for the Auckland recreational marine community, MetNet Marine, in November.

Services to the newspaper industry continued to expand, with our Christchurch based media graphics team increasing services for financial and television programme content.

The range of services marketed to the energy sector was expanded, providing longer range forecasts for a variety of weather elements. This, together with our marketing efforts over the previous year, resulted in considerable success in the UK, with significant expansion of business with energy generators, retailers and traders. In addition, energy sector business was also won in Europe, United States and Australia. We presented a paper to the Weather Risk Management Association conference in Australia.

The initial release of a new-generation television weather graphics presentation system, Weatherscape XT, was completed – with broadcaster CNBC Arabiya playing weather shows created using our software and data in July 2003. Significant interest is being shown in this new system by broadcasters.

AVIATION SERVICES

Growth in overseas markets was affected this year because of the difficulties faced by the aviation industry owing to the war in Iraq, the outbreak of SARS and the ongoing threat of terrorism. However, business in New Zealand and the South Pacific achieved better results than last year.

Our family of web-based services (MetFlight, MetJet and MetAir) was launched and sales of these were made to several New Zealand aircraft operators and to Air Calin in New Caledonia.

Additional customised weather charts were provided to Cathay Pacific for a new direct flight between Hong Kong and New York via the North Pole. MetService was contracted by the CAA to provide additional aviation warnings in the South Pacific to cover an extension to New Zealand's Oceanic Flight Information Region.

The annual CAA audit of our aviation meteorology certification resulted in a Quality Index score of 92, the highest achieved by MetService to date.

IT INFRASTRUCTURE

The basic programming for ICE, our Information Customisation Engine, was completed with advanced self-diagnostic capabilities. We are now adding the individual features that customers require for each type of forecast package and migrating our deliveries to ICE, a process that will be complete during the 2003/2004 year. At the same time development continued on enhanced forecaster support tools, improved web-based weather information delivery systems, and a major new release of our real-time animated 3D weather presentation system for the global TV market.

NIWA RELATIONS

In October a new data exchange agreement was signed with NIWA. This provides them with a very large suite of meteorological data in near real-time for research purposes. NIWA and MetService collaborated with CupMet, supplying meteorological support to the America's Cup Syndicates.



MetService is an organisation whose success can be attributed to the passion of all employees.

INTERNATIONAL RELATIONS

It was a very active year for MetService people, particularly those involved with the World Meteorological Organization (WMO). We value the opportunity to participate in this forum, and see it as long-term enlightened self-interest. The development of international capabilities enables better services from which all can benefit in the long term.

Neil Gordon was re-elected for a further term as President of the Commission for Aeronautical Meteorology, and along with Keith Mackersy participated in the conjoint session of WMO and the International Civil Aviation Organization (ICAO) in Montreal. Steve Ready continued as Chairman of our region's Tropical Cyclone Committee, and John Lumsden was elected to the Executive Council of WMO.

MetService is involved with the UK Met Office (UKMO), the National Oceanic and Atmospheric Administration of the USA (NOAA), and NIWA in developing capacity building plans for the Pacific Global Climate Observing System and we anticipate being involved in the implementation of additional facilities in the Pacific.

A Memorandum of Understanding was signed in June with the UKMO confirming the arrangements whereby MetService administers UKMO funds for work done in support of observations from the Pacific.

METSERVICE PEOPLE

MetService is an organisation whose success can be attributed to the passion of all employees and their concentration on providing valuable and innovative services. We have seen tremendous commitment and harmonious co-operation, and on behalf of Directors and Senior Managers we thank the very special team at MetService.

CLOSE TO HOME

We supported the American Meteorological Society's Seventh Southern Hemisphere Conference on Meteorology and Oceanography in Wellington, with 20 employees participating in this international gathering of experts. We provided weather briefings and lectures at the Walsh Memorial Scout Flying School.

MetService was on display at three exhibitions – the International Marine Trade Exhibition Convention show in Auckland in August, the Canterbury Agricultural and Pastoral Show in Christchurch in November, and at Fieldays 2003 in Hamilton in June. Participation in these events gives us a valuable opportunity to expand the number of people who know how to take advantage of good weather information, and enables us to gain feedback on users' requirements.

GOVERNANCE

There was one change to the composition of the Board during the year. In April Francis Small joined the board as chairman, following the retirement of John Crook. John had been chairman for five years during which the company developed its focus on the media and energy markets and embarked on significant IT infrastructure investment. Directors and employees alike have appreciated John's effective leadership and counsel in his time with MetService.

OUTLOOK

We look forward to successfully increasing our revenues, particularly from services for the media and energy industries based on our advanced new products, and see ICE becoming part of our basic IT infrastructure when product migration is complete. We anticipate that work will be well advanced on a new integrated corporate web site, and we believe that sales to the domestic market will increase, despite the fall off in revenue from MetPhone. Our capability to produce forecasts for the public good has been considerably enhanced since MetService was established in 1992 and we expect to improve further the specifications of services for the New Zealand Minister of Transport.

CUSTOMERS AND SUPPLIERS

We wish to thank all our customers for choosing us as their supplier. Also we recognise and thank our own suppliers, who have supported the company's requirements so well during the year just past. We value our relationships and the positive interactions that prevail.



MetService's success relies on the dedication and inspiration of the people in the organisation. The Henry Hill Award recognises a person demonstrating enthusiasm and dedication to weather and forecasting in the spirit of Henry Hill, a renowned meteorologist. Notable Achievers are recognised for achieving results well beyond their normal job requirements that are relevant to the business of MetService and support corporate objectives.

HENRY HILL AWARD

Andrew Downs

Andy has a real outward enthusiasm for forecasting, which is reminiscent of Henry Hill. He brings this enthusiasm to work every day, and sets a great example to others, especially to those just starting out as forecasters.

In recent times Andy has become involved in improving our day to day performance in the area of fog forecasting for Christchurch.

He completely embraced the task, and demonstrated initiative and dedication through running workshops on fog forecasting. Along with his infectious enthusiasm, Andy has demonstrated an ability to mentor and guide less experienced staff on a day to day basis. This valuable motivational role is very much a reflection of the example set by Henry Hill in the forecast room.

NOTABLE ACHIEVERS

(from left)

Keith Bauer, James Peace, Tom Sutherland, Jed Soane, Tomek Piatek, Peter Lowe, Henry Maddocks

In late 2001/early 2002 it was decided that the existing Weatherscape V3.0 television weather presentation graphics system needed to be replaced by a more sophisticated and flexible system that could utilise model data. Tom, Peter, Henry and Jed formed the initial team (and were joined later by Tomek, Keith and James) that developed Weatherscape XT from scratch into a system offering features equal to, or better than, our competitors.



Mick Rice

At very short notice, MetService was asked by an Australian consultancy company to assist them in submitting a bid to operate Canada's Goose Bay military airfield. MetService forecaster Mick Rice, who fortuitously had previously managed the Goose Bay meteorological office, worked extremely long hours over a short period of time to ensure that the bid was completed. He did this while continuing to perform his normal shift duties as a forecaster.

Stephen Harris, Megan Lloyd-Evans, Colin Brown

This team, led by Stephen Harris, successfully implemented a text to speech software system for the automatic loading of forecasts for the 0900 MetPhone service. The project started with identifying a suitable system and negotiating with the suppliers and included gaining board approval, adapting the system to MetService requirements, implementation, testing, and establishment of ongoing performance monitoring.

The successful implementation has resulted in operational expenditure savings, the ability to load additional forecasts, a greater consistency in voice quality, and better monitoring of performance.

Chris Noble and Brian Peters

Chris and Brian combined their various skills to develop and implement an aircraft icing index. The index, which uses very high-resolution model data, will provide forecasters with a tool to predict the day to day potential for aircraft icing.

Peter Watling, Clinton Ward, Tony Hawkins

Peter, Clinton and Tony are members of the systems group at the Media Graphics Unit in Christchurch.

They have been responsible for the development of innovative and creative systems that have resulted in significant capacity improvements necessary to enable the expansion of the television listings and financial information business, without increasing staffing levels.

Katherine Littler

Katherine combined her interest in conservation with her position as a meteorologist and developed a proposal to reduce the amount of paper used in the forecast room. Many of the ideas required only minor system changes or changes in operational procedures and are already delivering significant savings in paper usage.



DIRECTORS (left to right)

Thomas Jamison

John Hercus

Dr Francis Small (Chairman)

Wendy London

Shale Chambers

Dr Margo Buchanan-Oliver

(Deputy Chair)

Dr Graham Hill

**For and behalf of the Board,
which authorised the issue of
this report on 19 August 2003.**

Dr Francis Small

Dr Francis Small
Chairman

Thomas Jamison

Thomas Jamison
Director

REPORT OF THE DIRECTORS TO THE SHAREHOLDER

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 2003.

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.

	2003	2002
Results of operations	\$000	\$000
Net Surplus attributable to Shareholders	2,680	2,883
Interim Dividends Paid	(818)	(1,450)
Final Dividend Paid	(1,780)	(1,125)
Retained Earnings at beginning of the year	3,734	3,426
Retained Earnings at end of year	3,816	3,734

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 \$24,000 (2002: \$24,000) and Other Services \$21,000 (2002: \$9,000), and Metra Information Limited – Audit \$3,500 (2002: \$3,500).

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	\$000	Number
100-109	3	150-159	1
110-119	2	160-169	1
120-129	1	180-189	1
140-149	1	310-319	1

DIRECTORS

In accordance with the Constitution of the Company, directors are appointed by shareholding Ministers. J Crook retired as Chairman of Meteorological Service of New Zealand Ltd on 31 March 2003. F Small was appointed as Chairman of the Board on 1 April 2003.

DIRECTORS' REMUNERATION

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

	\$000
J Crook	28
F Small	10
M Buchanan-Oliver	24
G Hill	19
S Chambers	19
W London	19
T Jamison	19
J Hercus	19
Total Directors' Remuneration	157

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.

T Jamison gave general notice that, as a director of the TAB and the Racing Industry Board, he will be interested in all transactions between these organisations 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.



EXECUTIVE TEAM

(from left)

Marco Overdale

Chief Information Officer
overdale@metSERVICE.com

Keith Mackersy

General Manager,
Aviation Services
mackersy@metSERVICE.com

John Lumsden

Chief Executive
lumsden@metSERVICE.com

Ian McEwan

Chief Financial Officer
and Company Secretary
mcewan@metSERVICE.com

Dr Neil Gordon

Chief Meteorologist
and General Manager,
National Weather Services
gordon@metSERVICE.com

David Knott

General Manager,
Information Presentation Services
knott@metSERVICE.com

REGISTERED OFFICE

Level 2
30 Salamanca Road
P O Box 722
Wellington
New Zealand
Telephone +64 (4) 470-0700
Facsimile +64 (4) 473-5231

BANKER

Westpac Banking Corporation
318 Lambton Quay
P O Box 1298
Wellington
New Zealand

AUDITOR

PricewaterhouseCoopers
113-119 The Terrace
P O Box 243
Wellington
New Zealand

On behalf of
Controller and Auditor-General
48 Mulgrave Street
P O Box 3928
Wellington
New Zealand

A dramatic sunset sky with dark, silhouetted clouds at the bottom. Bright rays of golden light break through the clouds, creating a strong contrast against the deep blue and purple tones of the upper sky. The overall mood is serene and powerful.

FINANCIAL STATEMENTS 2002/2003

STATEMENTS OF FINANCIAL PERFORMANCE	Note	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
For the year ended 30 June 2003					
REVENUE					
Operating Revenue		24,132	24,259	23,448	23,501
Total Revenue		24,132	24,259	23,448	23,501
EXPENSES					
Audit Fees		28	28	24	24
Fees for Other Services Provided by Auditor		21	9	21	9
Costs of Operating Leases and Renting Items		125	133	125	133
Directors' Fees		157	128	157	128
Gain on Sale of Fixed Assets		(6)	(4)	(6)	(4)
Bad Debts Written Off		16	3	16	3
Software Development Expenditure		19	13	17	13
Depreciation – Buildings		11	11	11	11
Depreciation – Computer Equipment		1,581	1,356	1,541	1,326
Depreciation – Furniture and Fittings		46	62	46	62
Depreciation – Leasehold Property		60	59	60	59
Depreciation – Meteorological Equipment		266	238	266	238
Depreciation – Motor Vehicles		23	20	23	20
Depreciation – Office Equipment		18	18	18	18
Depreciation – Plant and Equipment		37	45	37	45
Other Expenses		17,671	17,809	17,127	17,040
Total Expenses		20,073	19,928	19,483	19,125
Operating Surplus		4,059	4,331	3,965	4,376
Net Finance (Expense) Revenue	5	(46)	12	(52)	10
Surplus before Taxation		4,013	4,343	3,913	4,386
Taxation Expense	3	(1,333)	(1,460)	(1,300)	(1,474)
Surplus Attributable to Shareholders		2,680	2,883	2,613	2,912
RETAINED EARNINGS					
Retained Earnings brought forward		3,734	3,426	3,846	3,509
Dividends	17	(2,598)	(2,575)	(2,598)	(2,575)
RETAINED EARNINGS CARRIED FORWARD		\$3,816	\$3,734	\$3,861	\$3,846

STATEMENTS OF FINANCIAL POSITION	Note	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
As at 30 June 2003					
EQUITY					
Capital	7	5,000	5,000	5,000	5,000
Retained Earnings		3,816	3,734	3,861	3,846
Total Equity		8,816	8,734	8,861	8,846
LIABILITIES					
Accounts Payable and Accruals	9	2,886	2,998	2,801	2,933
Provisions	18	398	318	398	318
Directors' Fees Payable		35	26	35	26
Borrowings	13	180	–	180	–
Provision for Taxation		(209)	48	(239)	61
Total Current Liabilities		3,290	3,390	3,175	3,338
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		\$13,106	\$13,124	\$13,036	\$13,184
ASSETS					
Cash on Hand at Bank		337	258	47	55
Accounts Receivable – Trade		2,292	2,189	2,127	2,115
Accounts Receivable – Other		779	869	449	425
Amounts Owing from Subsidiary		–	–	786	869
Deposits		–	1,220	–	1,220
Inventories		588	433	588	433
Total Current Assets		3,996	4,969	3,997	5,117
Future Income Taxation Benefit	3	460	434	463	432
Fixed Assets	4	8,650	7,721	8,576	7,635
Total Non Current Assets		9,110	8,155	9,039	8,067
TOTAL ASSETS		\$13,106	\$13,124	\$13,036	\$13,184

STATEMENTS OF MOVEMENTS IN EQUITY	Note	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
For the year ended 30 June 2003					
EQUITY AS AT 1 JULY		8,734	8,426	8,846	8,509
Total Recognised Revenues and Expenses		2,680	2,883	2,613	2,912
DIVIDENDS PAID IN CASH					
Interim Dividends	17	(818)	(1,450)	(818)	(1,450)
Final Dividend	17	(1,780)	(1,125)	(1,780)	(1,125)
EQUITY AS AT 30 JUNE		\$8,816	\$8,734	\$8,861	\$8,846

STATEMENTS OF CASH FLOW

For the year ended 30 June 2003

CASH FLOW FROM OPERATING ACTIVITIES

Cash was Provided from:	Receipts from Customers	23,980	24,136	23,364	23,155
	Interest Received	46	94	35	91
Cash was Applied to:	Payments to Suppliers and Employees	(18,084)	(17,927)	(17,558)	(17,155)
	Interest Paid	(86)	(83)	(86)	(83)
	Income Taxation Paid	(1,614)	(1,449)	(1,628)	(1,449)
Net Cash Flow from Operating Activities	6	4,242	4,771	4,127	4,559

CASH FLOW FROM INVESTING ACTIVITIES

Cash was Provided from:	Deposits Repaid	1,400	1,043	1,400	1,043
Cash was Applied to:	Purchase of Fixed Assets	(2,965)	(3,104)	(2,937)	(3,019)
Net Cash Flow Applied to Investing Activities		(1,565)	(2,061)	(1,537)	(1,976)

CASH FLOW FROM FINANCING ACTIVITIES

Cash Applied to:	Dividends	(2,598)	(2,575)	(2,598)	(2,575)
Net Cash Flow Applied to Financing Activities		(2,598)	(2,575)	(2,598)	(2,575)
Net Increase (Decrease) in Cash Held		79	135	(8)	8
Add Opening Cash brought forward		258	123	55	47
ENDING CASH CARRIED FORWARD		\$337	\$258	\$47	\$55

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity Meteorological Service of New Zealand Limited 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 basis 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 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. Computer software, either purchased or developed by the Company for its own use, is capitalised in the year in which the expenditure is incurred.

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

Depreciation

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

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

Buildings	2.5%
Computer Equipment	33.3%
Computer Software	33.3%
Furniture & Fittings	20.0%
Leasehold Property	3.1%
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.

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 2003 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 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
3 TAXATION EXPENSE				
SURPLUS FOR THE YEAR	4,013	4,343	3,913	4,386
Prima Facie Taxation thereon at 33 per cent	1,324	1,433	1,291	1,447
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	5	27	5	27
Prior Year Adjustment	4	–	4	–
Taxation Expense	\$1,333	\$1,460	\$1,300	\$1,474
Current Taxation	1,359	1,437	1,331	1,450
Future Income Taxation Benefit	(26)	23	(31)	24
Taxation Expense	\$1,333	\$1,460	\$1,300	\$1,474
Deferred Taxation				
Future Income Taxation Benefit as at 1 July	434	457	432	456
On Surplus for the Year	26	(23)	31	(24)
Future Income Taxation Benefit as at 30 June	\$460	\$434	\$463	\$432
Imputation Credit Account				
Imputation Credit Account as at 1 July	1,760	1,603	1,760	1,603
Income Taxation Paid during the Year	1,531	1,425	1,531	1,425
Imputation Credits attached to Dividends Paid during the Year	(1,279)	(1,268)	(1,279)	(1,268)
Imputation Credit Account as at 30 June	\$2,012	\$1,760	\$2,012	\$1,760

4 FIXED ASSETS		Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
LAND	Cost	118	118	118	118
	Accumulated Depreciation	—	—	—	—
	Book Value	118	118	118	118
LAND – LEASEHOLD	Cost	447	447	447	447
	Accumulated Depreciation	(246)	(224)	(246)	(224)
	Book Value	201	223	201	223
BUILDINGS	Cost	435	435	435	435
	Accumulated Depreciation	(95)	(84)	(95)	(84)
	Book Value	340	351	340	351
BUILDINGS ON LEASEHOLD LAND	Cost	1,531	1,521	1,531	1,521
	Accumulated Depreciation	(453)	(416)	(453)	(416)
	Book Value	1,078	1,105	1,078	1,105
FURNITURE AND FITTINGS	Cost	565	542	564	541
	Accumulated Depreciation	(471)	(426)	(470)	(425)
	Book Value	94	116	94	116
COMPUTER EQUIPMENT	Cost	10,336	9,200	10,156	9,044
	Accumulated Depreciation	(8,158)	(6,689)	(8,048)	(6,618)
	Book Value	2,178	2,511	2,108	2,426
METEOROLOGICAL EQUIPMENT	Cost	6,834	6,622	6,834	6,622
	Accumulated Depreciation	(5,729)	(5,463)	(5,729)	(5,463)
	Book Value	1,105	1,159	1,105	1,159
MOTOR VEHICLES	Cost	163	165	163	165
	Accumulated Depreciation	(98)	(112)	(98)	(112)
	Book Value	65	53	65	53
OFFICE EQUIPMENT	Cost	217	216	216	215
	Accumulated Depreciation	(173)	(160)	(173)	(160)
	Book Value	44	56	43	55
PLANT AND EQUIPMENT	Cost	478	475	478	475
	Accumulated Depreciation	(282)	(244)	(282)	(244)
	Book Value	196	231	196	231
CAPITAL WORK IN PROGRESS	Internally Developed Software	1,290	569	1,290	569
	External Purchased Software and Equipment	1,941	1,229	1,938	1,229
TOTAL NET BOOK VALUE		\$8,650	\$7,721	\$8,576	\$7,635

The aggregate of the latest Government Valuations of Land is \$155,000, Buildings is \$405,000, and Buildings on Leased Land is \$2,576,000.

5 NET FINANCE EXPENSE	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
Interest Revenue	40	94	34	92
Interest Expense	(86)	(82)	(86)	(82)
NET FINANCE (EXPENSE) REVENUE	(46)	\$12	(52)	\$10

6 RECONCILIATION OF SURPLUS ATTRIBUTABLE TO SHAREHOLDERS WITH CASH FLOW FROM OPERATING ACTIVITIES

SURPLUS FOR THE YEAR	2,680	2,883	2,613	2,912
Non Cash Items				
Gain on Sale of Fixed Assets	(6)	(4)	(6)	(4)
Depreciation	2,042	1,809	2,002	1,779
Movement in Future Income Taxation Benefit	(26)	23	(31)	24
Total Non Cash Items	2,010	1,828	1,965	1,799
Movements in Working Capital				
(Increase) Decrease in Receivables	(13)	(262)	47	(500)
(Decrease) Increase in Accounts Payable and Accruals	(23)	247	(43)	312
(Decrease) in Income Taxation Payable	(257)	(12)	(300)	(51)
(Increase) Decrease in Inventories	(155)	87	(155)	87
Total Movement in Working Capital	(448)	60	(451)	(152)
NET CASH FLOW FROM OPERATING ACTIVITIES	\$4,242	\$4,771	\$4,127	\$4,559

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 2003 there were 5,000,000 shares issued and fully paid (2002: 5,000,000).

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

8 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Meteorological Service of New Zealand Limited had no contingent liabilities (2002: nil) or capital commitments (2002: nil) as at 30 June.

9 ACCOUNTS PAYABLE AND ACCRUALS	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
Sundry Creditors and Accruals	1,282	1,201	1,271	1,167
Accounts Payable, including PAYE and GST	560	681	568	697
Employee Entitlements	840	853	840	853
Income in Advance	204	263	122	216
TOTAL ACCOUNTS PAYABLE AND ACCRUALS	\$2,886	\$2,998	\$2,801	\$2,933

10 LEASE COMMITMENTS

Non-Cancellable Operating Lease Commitments are:

0-1 Year	116	115	116	115
1-2 Years	102	110	102	110
2-5 Years	214	241	214	241
5 Years and Over	95	181	95	181
TOTAL LEASE COMMITMENTS	\$527	\$647	\$527	\$647

11 SOFTWARE DEVELOPMENT COSTS

Incomplete Software Projects as at 1 July	569	358	569	358
Software Development Costs Incurred During the Year	1,322	820	1,322	820
Cost of Software Sold to External Parties or Written Off	(30)	(27)	(30)	(27)
Software Development Costs Capitalised to Fixed Assets	(571)	(582)	(571)	(582)
INCOMPLETE SOFTWARE PROJECTS AS AT 30 JUNE	\$1,290	\$569	\$1,290	\$569

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 term loan matures on 31 December 2004. The interest rate is fixed to 31 December 2003 at 6.85% pa (2002: 5.95%).

13 FINANCIAL INSTRUMENTS

Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
---------------------	---------------------	----------------------	----------------------

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 outstanding foreign currency agreements were (NZD):

\$67	\$106	\$67	\$106
------	-------	------	-------

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.

B) FAIR VALUES

Forward Contract Agreements

At balance date the fair value of outstanding foreign currency agreements were (NZD):

\$66	\$101	\$66	\$101
------	-------	------	-------

There were no other differences between the fair value and the carrying amounts of financial instruments at 30 June 2003.

Meteorological Service of New Zealand Limited has a money market facility of \$1,000,000 available, of which \$180,000 had been drawn down as at 30 June 2003.

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 Enterprises and Government entities. 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.

16 CONTINUED INVESTMENT IN SUBSIDIARY/JOINT VENTURE		Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
Financial Performance					
Revenue		52	157	–	–
Expenses		(87)	(148)	–	–
Net Contribution to Group Operating Surplus		(\$35)	\$9	–	–
Financial Position					
The Group's share of assets and liabilities, proportionately consolidated was:					
Current Assets		276	313	–	–
Current Liabilities		(296)	(309)	–	–
Net Assets Employed in the Joint Venture		(\$20)	\$4	–	–
17 DIVIDEND					
Interim Dividends	Interim Dividends relating to 2001	–	(500)	–	(500)
	Interim Dividends relating to 2002	–	(950)	–	(950)
	Interim Dividends relating to 2003	(818)	–	(818)	–
		(818)	(1,450)	(818)	(1,450)
Final Dividends	Final Dividend relating to 2002	(1,780)	(1,125)	(1,780)	(1,125)
		(1,780)	(1,125)	(1,780)	(1,125)
TOTAL DIVIDENDS PAID		(\$2,598)	(\$2,575)	(\$2,598)	(\$2,575)
Post Balance Date: Directors have declared a final dividend of \$790,500 (2002: \$1,780,000), bringing the total dividends declared for the year to \$1,608,000 (2002: \$2,730,000).					
18 PROVISIONS					
Campbell Island Provision					
Opening Balance as at 1 July		150	138	150	138
Movement in Provision		3	12	3	12
Closing Balance as at 30 June		153	150	153	150
Termination Leave Provision					
Opening Balance as at 1 July		168	168	168	168
Movement in Provision		77	0	77	0
Closing Balance as at 30 June		245	168	245	168
TOTAL PROVISIONS AS AT 30 JUNE		\$398	\$318	\$398	\$318

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

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

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 1 to 10. The financial statements provide information about the past financial performance of Meteorological Service of New Zealand Limited and Group and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 4 to 5.

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 in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Meteorological Service of New Zealand Limited and Group as at 30 June 2003 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 that 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:

- 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 the Auditing Standards published by the Auditor-General, which incorporate 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 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 1 to 10:
 - (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 2003; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 19 August 2003 and our unqualified opinion is expressed as at that date.



Colum Rice

On behalf of the Auditor-General
Wellington, New Zealand



PricewaterhouseCoopers

KEY PERFORMANCE INDICATORS	Statement of Corporate Intent Target	Actual 2003	Actual 2002
For the year ended 30 June 2003			
Net Surplus attributable to Shareholders	\$2,418,000	\$2,680,000	\$2,883,000
Net Surplus attributable to Shareholders : Average S/H Funds*	28.0%	35.8%	41.9%
EBIT : Total Tangible Assets	27.7%	31.0%	34.1%
Current Ratio*	1.51:1	0.98:1	0.96:1
Equity Ratio*	68.6%	61.2%	53.0%
Net Surplus attributable to Shareholders : Total Sales	10.0%	11.1%	12.0%
Accounting Value of Crown's Investment	\$9,115,000	\$8,816,000	\$8,734,000
Probability of Detection (POD)	Minimum		
Heavy Rain	75%	87%	89%
Heavy Snow	75%	84%	86%
Severe Gales	75%	83%	82%
False Alarm Ratio (FAR)	Maximum		
Heavy Rain	40%	23%	32%
Heavy Snow	40%	30%	28%
Severe Gales	40%	25%	27%

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

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.

Quality Certification

Meteorological Service of New Zealand Limited retained full ISO 9001:2000 certification following a quality system audit during the year. Meteorological Service of New Zealand Limited also retained Civil Aviation Rule Part 174 certification again receiving re-certification during the year.

Warning Criteria

Meteorological Service of New Zealand Limited 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.



Our thanks to current and past MetService staff for sharing their fantastic and diverse weather images – John Crouch, Peter Knudsen, Douglas Parker, John Kidson, Allister Gorman, Ian McEwan, Tom Beard, Peter Fisher, Gwennyth Hodgson, and several who remain anonymous. Additional photography from Lindsay Keats, Ross Morrison, Nick Servian, Michael Roberts and Shell New Zealand. All images copyright; enquires to mcewan@metervice.com. Design by emdesign.