Annual Report 2004-2005

METSERVICE METRA

Weather and Presentation Services – Anywhere in the World

The social and economic impact of weather is something that can't be ignored. Controlling the weather is impossible but forecasting it has an impact on businesses and lives, around the world. MetService and its subsidiary Metra work with customers from New Zealand and the Pacific Islands to the Middle East and Europe. They rely on us to understand their needs and deliver the right information, in the right format, at the right time, to wherever they may be.


Te ‘anga’anga kāpiti’anga ki te au ōire

Working with communities

Improving infrastructure and reporting in the Pacific

Close to home, MetService is involved in setting up community radio stations to broadcast meteorological information between the small and widely spread communities in the Pacific. We also run internationally funded projects to help improve the infrastructure and reliability of the Pacific meteorological community.

MetService started life in 1861 as a storm-warning service provided in response to a spate of shipwrecks. Today MetService is a dynamic and profitable company with a strong reputation for providing the highest standards of weather and presentation services to customers in New Zealand and internationally.

We have achieved many milestones including being the first National Meteorological Service to be awarded ISO 9001 quality certification; establishing Metra, a subsidiary company, focused on international services; building a strong, committed and enthusiastic team of experts; developing a leading edge 3D weather presentation system and in-house fine scale weather modelling.

Today MetService comprises four groups: Global Operations, Advanced Technology, Information Services, and Corporate Services. Our goal is to continue building a strong and profitable business by providing our customers with exceptional service, advanced technology and innovative solutions that add true value to their businesses.

Our Services

The weather and presentation services we offer 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.

MetService uses a variety of methods for delivering services to customers from sophisticated web browsers, email, txt message, file transfer protocols to the more humble fax machine.

Television: Weatherscape XT, MetService's weather presentation software, takes advantage of the latest advances in 3D rendering technology and graphics animation, computer technology and meteorological science to provide a state of the art weather presentation and production system that positively changes the way viewers experience the weather.

Other Media: Print and Radio – MetService's Graphics Unit based in Christchurch, New Zealand reliably produces customised graphics for the print media providing them in a camera ready format. Any content with variable data and a fixed format can be supplied by the Graphics Unit. They supply weather, financial & stock market information, TV listings, sports betting and horse racing fields & form graphics.

Weather information is supplied to radio stations in a variety of ways from web browsers to fax.

Energy: MetService produces forecasts for the energy industry through a sophisticated combination of statistical and numerical weather modelling. Forecasts are tailored to the requirements of individual users that range from producers and retailers to energy traders.

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, and 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 everything from oil exploration to individual voyages.

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.

Our most recent development is the mSTAR, which is a low cost professional standard weather station that is easy to install, can be solar powered, and communicates using modern GPRS systems. It is ideal for remote locations and for those customers wanting reliable high quality information at a competitive price.

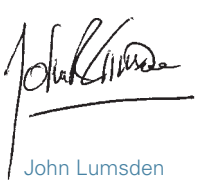
Internet: MetService can provide real-time weather information directly to your server for inclusion on your website or delivered via your own in-house applications.

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.

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.

MetService and its subsidiary Metra performed extremely well in the year to June 2005. We successfully completed the world's biggest weather graphics project for the BBC, expanded our marine and heavy rain forecast services for New Zealand, earned a record profit of $4.15 million, and paid dividends of $7.09 million following a capital restructuring.

Francis Small
Chairman



John Lumsden
Chief Executive

The Year in Review 2004/2005

Highlights

The BBC went to air on 16 May 2005 with its "Clearer Weather from the BBC" weather presentations, based on a specially customised development of MetService's Weatherscape XT software. We believe this is one of the biggest TV weather graphics projects in the world. The BBC Weatherscape XT installation has proved to be very reliable, and lets the BBC easily modify features to enhance viewers' understanding of the forecasts.

New services such as the extension of marine forecasts to five days, and outlooks of localised heavy rain were added to the suite of National Weather Services, and have been well received by users. These are part of an enhanced agreement with the Minister of Transport.

Our modelling capability continued to advance and products based on ensemble forecasting became operational.
We participated in the first symposium on THORPEX, an international research and development programme, to accelerate improvements in the accuracy of one-day to two-week high impact weather forecasts for the benefit of society and the economy.

A strategic review on behalf of the owners was completed. The capital structure was modified to take on more debt and allow the payment of a special dividend.

We achieved a net surplus of $4.15m, exceeding our business plan by $0.92m, primarily due to stronger revenue growth than expected. This is the highest surplus in the 13 year history of the Company as a State Enterprise.

We adopted a new organisational vision and a new management structure has been put into place to support it, starting in the 2005/2006 financial year.

Use of MetFlight, the service for recreational and training aircraft operators financed by the Civil Aviation Authority, averages 32,000 hits per month, with nearly 50,000 hits in March alone.

We created a 24-hour helpdesk to support a growing number of international customers, like the BBC.

We established an office in Wolverhampton, UK; this is the base for the UK Market Manager.

The Company website now shows New Zealand weather in a readily viewable form and its usage is such that advertising revenue is being earned to support it.

Our meteorological observation projects in the Pacific were completed using international aid funds.

The ISO 900 quality management re-certification was successful.

MetService people contributed to the leadership of the World Meteorological Organization. Neil Gordon presided over the Commission for Aeronautical Meteorology, Steve Ready chaired our region's Tropical Cyclone Committee, and John Lumsden participated as a member of the Executive Council.

Relationships with Public Sector organisations were active and positive during the year. We enjoyed working with the Ministry of Transport, the Civil Aviation Authority, the Maritime Safety Authority, the Institute of Geological and Nuclear Sciences, the National Institute of Water and Atmospheric Research, the Ministry of Civil Defence and Emergency Management, and Regional and District Councils throughout New Zealand.

The contribution of MetService employees was outstanding. They demonstrated enthusiasm, and applied innovation to provide services of real value.

MetService and Metra striving towards:

- being a global leader in valuable weather and presentation services
- growing through customer appreciation of our innovative solutions, operational excellence, and outstanding service
- becoming a profitable and well-organised company with highly skilled, enthusiastic and dedicated people who are passionate about the success of our company.

EXECUTIVE
From left to right:
Chief Meteorologist and
Chief, Advanced Technology Dr Neil Gordon,
gordon@metservice.com
Chief, Global Operations David Knott,
knott@metservice.com
Weatherscape Director Marco Overdale,
overdale@metservice.com
General Manager, International Paul Linton,
linton@metservice.com
General Manager, Aviation Services Keith Mackersy,
mackersy@metservice.com
General Manager, National Weather Services Rod Stainer,
stainer@metservice.com
Chief Executive John Lumsden,
lumsden@metservice.com
Chief, Corporate Services and Company Secretary Ian McEwan,
mcewan@metservice.com
Chief Information Officer Russell Turner,
turner@metservice.com

Strategic Review

The strategic review was completed as part of Government's "Long Term Hold" policy. This confirmed that our core business is 'the provision of weather services in New Zealand and internationally, including data acquisition, forecasts and warnings, dissemination, and consultation' and that our related business is 'the acquisition, processing, interpretation, presentation and dissemination of near real-time, non-weather information'.

As part of the strategic review, MetService's capital structure was examined. Directors decided to increase the gearing of the company and MetService sought sufficient bank funding to bring the debt to debt plus equity ratio to 40 percent.

New Vision

MetService's new business definition led us to develop a revised vision with input from employees. We are now striving towards:

- being a global leader in valuable weather and presentation services
- growing through customer appreciation of our innovative solutions, operational excellence, and outstanding service
- becoming a profitable and well organised company with highly skilled, enthusiastic and dedicated people who are passionate about the success of our company.

Organisation Structure

In order to support this direction we have made organisation changes to focus on:

- integrated global operations for both New Zealand and overseas
- the application of advanced technology
- the central role of information services
- streamlining of corporate services.

This new structure was phased in from May 2005 and is now fully operational.

Financial

The MetService group achieved a tax paid profit of $4.15 million, which represents an after tax return on average shareholders' funds of 58.5 percent. This result was $0.92 million greater than the financial target forecast in the Statement of Corporate Intent. It is the highest surplus achieved by the Company since becoming a State Enterprise. The excellent return was the result of stronger than anticipated revenues both domestically and internationally. Dividends of $7.09 million were paid during the year, consisting of a final dividend for 2004 of $1.04 million and interim dividends for 2005 of $6.05million, one of which was for $3.00 million as a result of the capital restructuring.

National Weather Services

MetService provides National Weather Services for New Zealand through an agreement with the Minister of Transport; this contributes roughly half of the Company's revenue. Early in the financial year we agreed the price and the specification of enhanced services. We implemented some new services in the first quarter including additional road snowfall warnings and recreational marine forecasts for the Lake Taupo, Lake Rotorua and Mana areas. The outlook for severe convection events started at the beginning of November. The extension of marine forecasts to five days was launched in May. These new services include five-day forecasts for all New Zealand coastal areas, all recreational marine areas and the high seas. Feedback on the new services has been positive.

World Meteorological Organization

We maintained our active level of participation in the programmes of the World Meteorological Organization. Steve Ready continued as Chairman of our region's Tropical Cyclone Committee, Neil Gordon led the Commission for Aeronautical Meteorology, and John Lumsden, in addition to his role as Permanent Representative of New Zealand with WMO, served as an elected member of its Executive Council.

Capacity Building in the Pacific

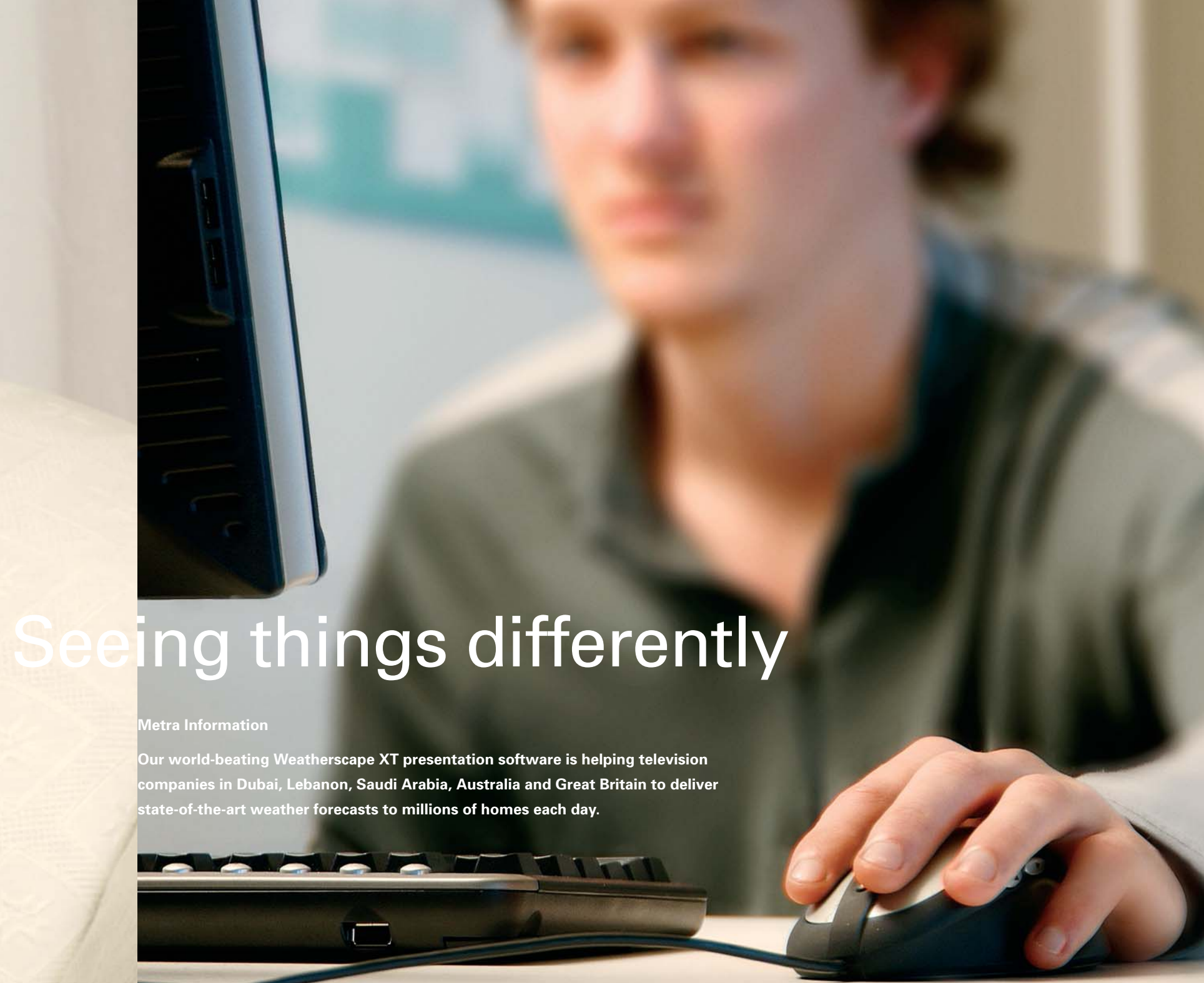
MetService has recognised skills in the design and installation of weather observing systems. During the year we carried out projects in the Pacific with funding from the Unites States, France, the UK, and New Zealand. These projects included restoration of the hydrogen generation plant for upper air observations in the Galapagos Islands, an automatic weather station in the Tokelau Islands, Internet radio and satellite communications in Vanuatu, the upgrade of the Penrhyn Island upper air station, and the repair of the cyclone damaged weather station on Niue.

metservice.com

Our new metservice.com website was launched in September and was recognised as the best website in the Business to Consumer category at the Telecom Users Association of New Zealand (TUANZ) annual e-vision awards. The site is now focused on the provision of weather information to site visitors, and feedback has been good. Visitor numbers have doubled, the site is attracting advertising, and most recently ski field weather web pages have been added and are available freely to the public. This is the second year in a row that a MetService developed system has won this TUANZ award.

The Metra website www.metra.info was also upgraded and received thousands of hits immediately following the launch of Weatherscape XT on the BBC.


رؤيـة الأشـياء بمنـظار مـختـلف



Seeing things differently

Metra Information

Our world-beating Weatherscape XT presentation software is helping television companies in Dubai, Lebanon, Saudi Arabia, Australia and Great Britain to deliver state-of-the-art weather forecasts to millions of homes each day.

Investment in Technology

To be successful we must keep pushing the boundaries and meet the challenges that face our customers. We specialise in combining technical skills with meteorological knowledge to provide forecasting services, meteorological modelling, and data information graphics that are of the highest standards.

We are committed to investing in technology for the future to ensure that we offer leading edge solutions and services to our customers around the world.

Forecasting Technology

During the year our modelling development group implemented new services based on ensemble model output and sophisticated statistical approaches have been incorporated.

A 20 processor high-performance computer was purchased to enable the MetService's New Zealand mesoscale model to be run at an 8 kilometre resolution. It will produce operational forecasts from January 2006. We also plan to develop a new product suite for use in the energy market in New Zealand and internationally, based around an optimal combination of models on all time scales out to 15 days.

Our Chief Meteorologist, Neil Gordon, took part in the First THORPEX International Science Symposium, held in Montreal in December where he made a presentation on Weather Forecasting for Combined Cycle Gas Turbine Power Stations. He focused on the economic value that can be obtained by using decision support tools based on multi-model forecasts. THORPEX is a major WMO international research and development programme, responding to the weather related challenges of the 21st century, to accelerate improvements in the accuracy of one-day to two-week high impact weather forecasts for the benefit of society and the economy. In several years we anticipate that the information available to forecasters around the world will be significantly enhanced, and the opportunities for developing valuable services greatly expanded.

Aviation Carriers

MetService can provide aviation weather forecasts to customers via its proprietary WeatherTrak system. Air New Zealand is now routinely using it to support departures from New Zealand and a number of international locations.

We started providing services for Pacific Blue's flights operating between Australia, Vanuatu, and Fiji.

General Aviation

MetFlight is an Internet based weather service developed for light aircraft operators in New Zealand. The Civil Aviation Authority funded access to MetFlight for recreational pilots and flight training organisations. This service was officially launched at a function in late August 2004 by the Minister of Transport. User registration has grown to 2500, and monthly web page hits are around 32,000.

New Zealand Industry

Demand for weather information from the film industry has been strong with a number of feature film production companies taking customised site specific forecasts to assist with film schedules in New Zealand.

The Otago Daily Times started using a MetService weather graphic during February. All major metropolitan daily papers now use MetService's weather graphics.

International – Metra Information

Metra Information Limited, a wholly owned subsidiary of MetService, markets weather services to the international television and energy industries. The General Manager, International of Metra temporarily relocated to the United Kingdom to review operations and markets and determine what the long term resource requirements are for the UK. An office has been established in Wolverhampton, where our UK Market Manager is based.

An Operations Manager was appointed for Metra. This new role is intended to ensure that all Metra products and services are developed and produced for customers in an operationally excellent manner.

Our television weather graphics software package is branded Weatherscape XT. It was promoted at the International Broadcasters Conference in Amsterdam. Significant interest has arisen as a result of the British Broadcasting Corporation's choice to base their entire network's weather presentations on a customized version of Weatherscape XT. We also launched Weatherscape XT with The Weather Channel in Australia last year.

Energy

Metra maintained and expanded its client base in Europe and Australasia. We produce precipitation, wind and temperature forecasts, where operational production of bias corrected ensemble spot forecasts has started. Customers include energy generators, traders, and retailers. We attended the European Wind Energy Association Conference, and at the invitation of the Australian Greenhouse Office, attended a discussion forum on the issues associated with the volatility of large amounts of wind generation coming on stream in South Australia.

BBC

Project Storm, the BBC's project to upgrade to an integrated new look weather presentation capability, was a major project this year. Our team of Weatherscape XT developers was expanded to develop and create software that would allow the BBC to manage their multi-site broadcast centres, and to install it within the client's network. Considerable flexibility was required to meet the BBC's needs and the project teams worked well together to bring the new "Clearer Weather from the BBC" presentation successfully to air on 16 May. We had developers on-site at the BBC prior to and after 'go-live'. The new system has been well received and its flexibility was demonstrated with the BBC's ability to alter the viewing angle of Great Britain to increase the perspective size of Scotland. This has been arguably the largest TV weather graphics presentation project in the world.

Quality Management

The ISO 9001 re-certification audit took place during the year and MetService was successful in maintaining certification for a further three years. No non-conformities were found during the following surveillance audit in April.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Providing knowledge

Wind Forecasting

All over the world countries are looking for new cost-effective and environmentally-friendly ways to generate energy supplies. In Denmark, a high proportion of power is wind-generated and Metra's site specific forecasts are essential for predicting energy production and informing contingency planning.

MetService People

Our people have a genuine passion for what they do. And this means that our customers deal with an enthusiastic and highly skilled team focused on getting results.

We believe that the power of a company comes from the strength of its people – that's why we encourage innovative thinking, accountability and achievement at every level in the organisation. As a result we are proud to have exceptionally talented people who are dedicated to working with customers to provide world-class ideas and solutions.

Infrastructure

A new web and ftp server delivery system was installed to separate development, testing and operational systems. The architecture allows for additional capacity to be easily added in response to increased demand for services.

We established a 24 x 7 help desk to support the BBC and other customers, and recruited and trained employees. Also commissioned was upgraded fault and call monitoring software.

We completed the development of Breeze, a user interface for MetService's new data storage and delivery system. Breeze eliminates the need for technical staff to be involved in setting up new customers or modify existing ones.

A project is underway to upgrade the hardware and software processing systems for our three Doppler weather radars, as well as add Doppler capability to the radar in Invercargill.

Development was completed on the systems and software required to receive and process imagery from the new Japanese geostationary satellite, MTSAT, that became fully operational in June 2005.

People

In order to have the capacity to meet the anticipated growth in demand for services, and recognise impending retirements, we brought forward the next trainee meteorologists' course, it started at the end of January 2005 with 10 students.

Our success is driven by the contribution of our people. On behalf of Directors and Senior Managers we thank our long serving employees as well as those who have joined recently. At year-end we had 183 employees, up from 179 the previous year.

Customers, Suppliers and Partners

We thank all our customers, in New Zealand and internationally, who have chosen us as their supplier. We also recognise and thank our own suppliers, who have supported the company's requirements so well during the past. We have partnerships in the marketplace and we benefit from the teamwork. We value our relationships and the positive interactions that prevail.

Governance

There were changes to the composition of the Board during the year, with the addition of Joanne Keestra and Polly Schaverien, and the retirement of Wendy London. The Board and Management thank Wendy for her dynamic contribution to the Company's business. Graham Hill, Shale Chambers, Tom Jamison and John Hercus had their appointments extended for a further three years.

Outlook – Resilience

With the success of our global growth strategy, we recognise the need to build into our organisation the capability to support further growth in a resilient and operationally excellent manner. This will be reflected in our investment in people, process, and facilities. The level of this investment will be determined by the potential for growth in the markets we serve. At the same time we will maintain our focus on leadership in forecast accuracy and usability. The new management structure will facilitate this.

Henry Hill Award

Chris Webster through his role as a teacher of meteorology demonstrates an outstanding enthusiasm for and dedication to weather forecasting.

The following is an excerpt from his nomination for the Henry Hill Award:

"I see a lot of what happens before and after Chris's teaching. I see the head down for hours over the books and journals, the dreamy look...as he discovers a new way to communicate some technical idea, the absolute focus on pre-class preparation, and the combination of fatigue and exhilaration after a class that went well. What I don't see...is the time spent in the evening and at the weekend being ready for the next few classes. And I see something else that is the sum of all those things: the respect his students and colleagues have for him."

Chris is a great teacher, and his contribution to the science of weather forecasting and the success of MetService makes him a worthy recipient of the Henry Hill Award.

NOTABLE ACHIEVERS
From left to right: Peter Lowe, Ian Baker, Chris Webster, Garry Clark, Paul Mallinson, Bruce Spedding, James Guthrie, Dirk Heinsius, Bob Taylor, Mark Schwarz, John Crouch and David Norman.

Notable Achievements

Dirk Heinsius attended the IBC conference in Europe and returned through the Middle East to install Weatherscape XT upgrades at three sites. These upgrades were installed successfully in difficult environments and with limited support.

Bruce Spedding, Ian Baker and James Guthrie formed the core of the team that developed the new corporate metservice.com web-site. The new site required significant infrastructure development – both software and hardware – and is now focused on MetService's products and services rather than the organisation.

Since its launch in September 2004 unique visitors to the site have more than doubled and page views have trebled compared to the old site.

Bob Taylor has managed and participated in three maintenance 'expeditions' to Campbell Island since personnel were removed from the island in 1995. Each has been a major logistical planning exercise, involving the chartering of a suitable ship to carry personnel and supplies, recruiting the volunteer labour and specialist skills required for the planned work, purchasing materials and catering supplies, and coordinating with the Department of Conservation.

The success of these expeditions is a result of Bob's excellent organisation, coordination, and the relationships he has built with the parties involved.

John Crouch, Paul Mallinson and Mark Schwarz took the lead roles in developing the knowledge and skills required to implement the new severe convection outlooks for New Zealand. This new service was introduced on 1 November 2004.

They developed a severe convection database, analysed past events, and modified and developed techniques for New Zealand conditions.

John and Paul worked closely with the Emergency Management Office of the Porirua City Council to provide them with a daily severe convection chart. The success of the trial was instrumental in convincing the Minister of Transport to purchase this service.

Garry Clarke developed a niche business for MetService in providing leading edge communications systems for Pacific Island nations by developing concepts that are in place in African countries. The systems provide satellite and HF radio email to meteorological offices, and also enable meteorological, and other hazardous warnings, to be transmitted to end-users.

Peter Lowe was a major champion of the BBC's Project Storm project, from initial marketing contacts right through to Go-Live. Throughout the project Peter showed huge commitment to achieving a successful conclusion.

Peter spent a considerable period of the last year away from home, dealing with the difficulties encountered through keeping communications flowing across 12 time zones, and worked many late nights and weekends on the project since its inception. Peter was also instrumental in maintaining good relationships with the customer throughout this challenging project.

Dave Norman's expertise in electronics engineering gave him the skills to understand and meet the requirements of the BBC studio environment and to develop software and hardware interfaces which have added a new dimension to Weatherscape XT's capabilities.

As well as being an extremely competent software developer Dave has excelled in the area of customer support and is respected for his straightforward approach in achieving solutions for customers.

Dave's contribution to the success of Project Storm was significant.

Report of the Directors' to the Shareholders

The Directors have pleasure in presenting the Annual Report, together with the audited financial statements of Meteorological Service of New Zealand Limited for the year ended 30 June 2005.

Business Activities

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

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

Results of Operations	2005 $000	2004 $000
Net Surplus attributable to Shareholders	4,152	2,900
Interim Dividends Paid	(3,050)	(700)
Special Dividends Paid	(3,000)	–
Final Dividend Paid	(1,040)	(791)
Retained Earnings at beginning of the year	5,225	3,816
Retained Earnings at end of year	2,287	5,225

Changes in Capital

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

Auditor

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

During the year, amounts received or due and receivable by PricewaterhouseCoopers were: Meteorological Service of New Zealand Limited – Audit $27,500 ($24,000 2004) and – Other Services $20,840 ($24,280 2004), and Metra Information Limited – Audit $3,500 ($3,500 2004)

Remuneration of Employees

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

$000s	Number	$000s	Number
100 - 109	5	170 - 179	1
110 - 119	6	200 - 209	1
120 - 129	2	210 - 219	1
150 - 159	2	370 - 379	1

DIRECTORS
From left to right: Joanne Keestra, Dr Francis Small (Chairman), John Hercus, Shale Chambers, Dr Margo Buchanan-Oliver (Deputy Chair), Thomas Jamison, Polly Schaverien.
(Dr Graham Hill absent)

Directors

In accordance with the Constitution of the Company, directors are appointed by the shareholders. During the year Wendy London completed her term as a director; Joanne Keestra and Polly Schaverien were appointed to the board in January 2005.

Directors' Remuneration

Directors' remuneration and benefits received, or due and receivable during the accounting period, are as follows (no remuneration was paid to directors in their capacity as directors of Metra Information Limited):

F Small	38,000
M Buchanan-Oliver	23,750
J Hercus	21,500
T Jamison	23,250
W London	11,625
G Hill	21,500
J Keestra	10,750
P Schaverien	10,750
S Chambers	22,375
Total Directors' Remuneration	$183,500

Directors' Interests

Interests Register

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

Shale Chambers:
Deputy Chairman Auckland Energy Consumer Trust.

Tom Jamison:
Director Sustema Consulting.

Joanne Keestra:
Shareholder/Director Keestra & Co.

Graham Hill:
Director NIWA,
Council Member UNITEC.

Polly Schaverien:
Trustee Correspondence School of New Zealand,
Director Michael Bird & Associates.

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

Directors' Loans

There were no loans by the Company to directors.

Directors' Insurance

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

Donations

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

Changes in Accounting Policies

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

For, and on behalf of the Board, which authorised the issue of the financial report on 16 August 2005.

Dr Francis Small
Chairman

T Jamison
Director

Meteorological Service of New Zealand Limited
Statement of Financial Performance for the year ended 30 June 2005

STATEMENT OF FINANCIAL PERFORMANCE	Note	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
REVENUE					
Operating Revenue		30,762	26,269	27,130	24,375
Interest Revenue		156	68	146	64
Total Revenue		30,918	26,337	27,276	24,439
OPERATING EXPENSES					
Audit Fees		31	28	28	24
Fees for Other Services provided by Auditor		21	24	21	24
Costs of Operating Leases and Renting Items		160	140	146	140
Directors' Fees		184	173	184	173
(Gain) Loss on Sale of Fixed Assets		(6)	23	(6)	23
Bad Debts written off		2	20	2	20
Software Development Expenditure		30	129	29	51
Depreciation – Buildings		50	49	50	49
Depreciation – Computer Equipment		2,539	2,245	2,242	2,095
Depreciation – Furniture and Fittings		48	40	47	39
Depreciation – Buildings on Leasehold Land		23	23	23	23
Depreciation – Meteorological Equipment		219	260	219	260
Depreciation – Motor Vehicles		32	29	32	29
Depreciation – Office Equipment		18	19	16	18
Depreciation – Plant and Equipment		42	38	42	38
Interest Expense		73	70	72	70
Other Operating Expenses		21,247	18,723	18,863	17,715
Total Operating Expenses		24,713	22,033	22,010	20,791
Surplus before Taxation		6,205	4,304	5,266	3,648
Taxation Expense	3	(2,053)	(1,404)	(1,737)	(1,210)
NET SURPLUS		4,152	2,900	3,529	2,438

Meteorological Service of New Zealand Limited
Statement of Financial Position as at 30 June 2005

STATEMENT OF FINANCIAL POSITION	Note	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
EQUITY					
Capital	7	5,000	5,000	5,000	5,000
Retained Earnings	17	2,287	5,225	1,247	4,808
Total Equity		7,287	10,225	6,247	9,808
LIABILITIES					
Accounts Payable and Accruals	5	4,079	3,809	4,010	3,330
Provisions	19	431	401	431	401
Directors' Fees Payable		37	46	37	46
Income Taxation Payable		98	–	129	–
Total Current Liabilities		4,645	4,256	4,607	3,777
Loan	11	4,000	1,000	4,000	1,000
Total Non Current Liabilities		4,000	1,000	4,000	1,000
TOTAL LIABILITIES AND EQUITY		$15,932	$15,481	$14,854	$14,585
ASSETS					
Cash on Hand at Bank		392	191	70	41
Accounts Receivable – Trade		2,797	2,695	2,461	2,180
Accounts Receivable – Other		875	717	459	674
Amounts Owing from Subsidiary	14	–	–	554	466
Deposits		2,880	2,390	2,880	2,390
Inventories		573	366	573	366
Income Taxation Receivable		–	181	–	171
Total Current Assets		7,517	6,540	6,997	6,288
Deferred Taxation	3	517	484	544	501
Fixed Assets	4	7,898	8,457	7,313	7,796
Total Non Current Assets		8,415	8,941	7,857	8,297
TOTAL ASSETS		$15,932	$15,481	$14,854	$14,585

The Board of Directors of Meteorological Service of New Zealand Limited authorised these financial statements for issue on 16 August 2005.

Dr Francis Small
Chairman

T Jamison
Director

Meteorological Service of New Zealand Limited
Statement of Movements in Equity and Statement of Cash Flow for the year ended 30 June 2005

	Note	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
STATEMENT OF MOVEMENTS IN EQUITY					
EQUITY AS AT 1 JULY		10,225	8,816	9,808	8,861
Net Surplus		4,152	2,900	3,529	2,438
Total Recognised Revenues and Expenses		4,152	2,900	3,529	2,438
DIVIDENDS PAYABLE IN CASH					
Interim Dividends	16	(3,050)	(700)	(3,050)	(700)
Final Dividend	16	(1,040)	(791)	(1,040)	(791)
Special Dividend	16	(3,000)	–	(3,000)	–
Total Dividends		(7,090)	(1,491)	(7,090)	(1,491)
Movement in Equity for the year		(2,938)	1,409	(3,561)	947
EQUITY AS AT 30 JUNE		$7,287	$10,225	$6,247	$9,808
STATEMENT OF CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was Provided from: Receipts from Customers		30,256	26,470	27,192	24,597
Interest Received		144	68	132	64
Cash was Applied to: Payments to Suppliers and Employees		(21,335)	(18,625)	(18,983)	(17,562)
Interest Paid		(72)	(70)	(71)	(70)
Income Taxation Paid		(1,806)	(1,395)	(1,479)	(1,180)
Net Cash Inflows from Operating Activities	6	7,187	6,448	6,791	5,849
CASH FLOW FROM INVESTING ACTIVITIES					
Cash was Provided from: Proceeds from the Sale of Fixed Assets		14	9	14	4
Cash was Applied to: Repayment of Borrowings		–	(180)	–	(180)
Investment in Deposits		(490)	(2,390)	(490)	(2,390)
Purchase of Fixed Assets		(2,420)	(2,542)	(2,196)	(1,798)
Net Cash Outflows from Investing Activities		(2,896)	(5,103)	(2,672)	(4,364)
CASH FLOW FROM FINANCING ACTIVITIES					
Cash was Provided from: Long Term Debt		3,000	–	3,000	–
Cash was Applied to: Dividends		(7,090)	(1,491)	(7,090)	(1,491)
Net Cash Outflows from Financing Activities		(4,090)	(1,491)	(4,090)	(1,491)
Net Increase (Decrease) in Cash Held		201	(146)	29	(6)
Add Opening Cash brought forward		191	337	41	47
ENDING CASH CARRIED FORWARD		$392	$191	$70	$41

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 prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State Owned Enterprises Act 1986.

A.GENERAL ACCOUNTING POLICIES

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

B.PARTICULAR ACCOUNTING POLICIES

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

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

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

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

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

Distinction between 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 & 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principles of Consolidation
The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiary as at 30 June 2005 using the purchase method.

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

All significant transactions between Group companies are eliminated on consolidation.

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

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

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

2 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.

3 TAXATION EXPENSE

	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
SURPLUS BEFORE TAX	6,205	4,304	5,266	3,648
Prima Facie Taxation thereon at 33 per cent	2,047	1,420	1,737	1,204
The Taxation Effect of Permanent Differences is as follows:				
Non-Deductible Expenditure	7	7	6	6
Prior Year Adjustment	(1)	(23)	(6)	–
Taxation Expense	$2,053	$1,404	$1,737	$1,210
Current Taxation	2,105	1,428	1,799	1,248
Deferred Tax	(52)	(24)	(62)	(38)
Taxation Expense	$2,053	$1,404	$1,737	$1,210
Deferred Taxation				
Opening balance	484	460	501	463
Transfer from Current Taxation	52	24	62	38
Prior Year Adjustment	(19)	–	(19)	–
Closing balance	$517	$484	$544	$501
Imputation Credit Account				
Imputation Credit Account 1 July	2,661	2,012	2,459	2,012
Income Taxation Paid during the Year (net of tax refunds)	1,961	1,383	1,597	1,181
Imputation Credits attached to Dividends Paid during the Year	(3,492)	(734)	(3,492)	(734)
Imputation Credit Account 30 June	$1,130	$2,661	$564	$2,459

4 FIXED ASSETS		Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
LAND	Cost	118	118	118	118
	Accumulated Depreciation	–	–	–	–
	Book Value	118	118	118	118
LAND – LEASEHOLD	Cost	447	447	447	447
	Accumulated Depreciation	(292)	(269)	(292)	(269)
	Book Value	155	178	155	178
BUILDINGS	Cost	470	470	470	470
	Accumulated Depreciation	(109)	(106)	(109)	(106)
	Book Value	361	364	361	364
BUILDINGS ON LEASEHOLD LAND	Cost	1,560	1,560	1,560	1,560
	Accumulated Depreciation	(537)	(491)	(537)	(491)
	Book Value	1,023	1,069	1,023	1,069
FURNITURE AND FITTINGS	Cost	672	656	668	655
	Accumulated Depreciation	(553)	(506)	(553)	(505)
	Book Value	119	150	115	150
COMPUTER EQUIPMENT AND SOFTWARE	Cost	15,188	13,393	14,065	12,480
	Accumulated Depreciation	(11,447)	(9,143)	(10,890)	(8,882)
	Book Value	3,741	4,250	3,175	3,598
METEOROLOGICAL EQUIPMENT	Cost	7,040	6,940	7,040	6,940
	Accumulated Depreciation	(6,172)	(5,961)	(6,172)	(5,961)
	Book Value	868	979	868	979
MOTOR VEHICLES	Cost	204	219	204	219
	Accumulated Depreciation	(87)	(120)	(87)	(120)
	Book Value	117	99	117	99
OFFICE EQUIPMENT	Cost	206	185	193	183
	Accumulated Depreciation	(161)	(145)	(158)	(145)
	Book Value	45	40	35	38
PLANT AND EQUIPMENT	Cost	526	516	524	515
	Accumulated Depreciation	(336)	(309)	(335)	(309)
	Book Value	190	207	189	206
CAPITAL WORK IN PROGRESS	Internally Developed Software (Note10)	789	783	789	783
	External Purchased Software and Equipment	372	220	368	214
NET TOTAL BOOK VALUE		$7,898	$8,457	$7,313	$7,796

5 ACCOUNTS PAYABLE AND ACCRUALS				
Sundry Creditors and Accruals	1,448	1,478	1,405	1,196
Accounts Payable, including PAYE and GST	790	766	820	781
Employee Entitlements	1,209	1,023	1,209	1,023
Income in Advance	632	542	576	330
TOTAL ACCOUNTS PAYABLE AND ACCRUALS	$4,079	$3,809	$4,010	$3,330

6 RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
NET SURPLUS	4,152	2,900	3,529	2,438
Non Cash Items				
(Gain) Loss on Disposal of Fixed Assets	(6)	23	(6)	23
Depreciation	2,971	2,703	2,671	2,551
Movement in Deferred Taxation	(33)	(24)	(43)	(38)
Total Non Cash Items	2,932	2,702	2,622	2,536
Movements in Working Capital				
(Increase) Decrease in Receivables	(260)	(341)	(154)	42
Increase in Accounts Payable and Accruals	291	937	701	543
Decrease in Income Taxation	279	28	300	68
(Increase) Decrease in Inventories	(207)	222	(207)	222
Total Movement in Working Capital	103	846	640	875
NET CASH FLOW FROM OPERATING ACTIVITIES	$7,187	$6,448	$6,791	$5,849

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

As at 30 June 2005 there were 5,000,000 shares issued and fully paid (2004: 5,000,000). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

8 CAPITAL COMMITMENTS

There are no capital commitments outstanding at the balance date not provided for (2004: $nil).

9 LEASE COMMITMENTS

Non-Cancellable Operating Lease Commitments are:				
0-1 Year	135	114	135	114
1-2 Years	113	95	113	95
2-5 Years	196	195	196	195
5 Years and Over	58	72	58	72

The Group leases land, operating leases over these properties give the Group the right to renew the lease subject to a redetermination of the lease by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases.

10 SOFTWARE DEVELOPMENT COSTS

Incomplete Software Projects as at 1 July	783	1,290	783	1,290
Software Development Costs Incurred During the Year	1,298	1,700	1,298	1,700
Cost of Software sold to External Parties or Written Off	(13)	(150)	(13)	(150)
Software Development Costs Capitalised to Fixed Assets	(1,279)	(2,057)	(1,279)	(2,057)
INCOMPLETE SOFTWARE PROJECTS AS AT 30 JUNE	$789	$783	$789	$783

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

PRICEWATERHOUSECOOPERS

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Audit Report

to the readers of Meteorological Service of New Zealand Limited and Group's Financial Statements for the year ended 30 June 2005

The Auditor-General is the auditor of Meteorological Service Of New Zealand Limited (the Company) and Group. The Auditor-General has appointed me, Karen Shires, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group, on his behalf, for the year ended 30 June 2005.

Unqualified opinion

In our opinion:

- The financial statements of the Company and Group on pages 3 to 14:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the Company and Group's financial position as at 30 June 2005; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the Company and Group kept proper accounting records.

The audit was completed on 16 August 2005, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

Audit procedures generally include:

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

PRICEWATERHOUSECOOPERS

Audit Report

Meteorological Service of New Zealand Limited

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing and submitting for audit financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2005. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Public Finance Act 1989 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility is specified in section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

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

Other than the audit, we have no relationship with or interests in the Company and Group.

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

PricewaterhouseCoopers

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of the Company and Group for the year ended 30 June 2005 included on the Company's web-site. The Company's Board of Directors is responsible for the maintenance and integrity of the Company's web site. We have not been engaged to report on the integrity of the Company's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 16 August 2005 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

11 LOAN	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
UNSECURED BANK LOAN	$4,000	$1,000	$4,000	$1,000

On 30 June 1998, Meteorological Service of New Zealand Limited entered into a term loan agreement with the Westpac Banking Corporation. This agreement was extended on 30 June 2005. The term loans mature between 31 December 2005 and 30 June 2007. The Group intends extending the loans on maturity. The interest rates are fixed. The average interest rate for the loans as at 30 June 2005 is 7.24% (2004; 6.70%).

12 FINANCIAL INSTRUMENTS

A) NATURE OF ACTIVITIES AND MANAGEMENT POLICIES WITH RESPECT TO FINANCIAL INSTRUMENTS

Forward Contract Agreements

At balance date the notional principal or contract amounts of outstanding foreign currency agreements were (NZD):

Forward Exchange Buy Contracts	–	$37	–	$37
Forward Exchange Sell Contracts	–	($282)	–	($282)

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 Ministry 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):

Forward Exchange Buy Contracts	–	$38	–	$38
Forward Exchange Sell Contracts	–	($276)	–	($276)

There were no other differences between the fair value and the carrying amounts of financial instruments at 30 June 2005 (2004: $nil).
Meteorological Service of New Zealand Limited has a money market facility of $1,000,000 available, of which it had drawn down $0 as at 30 June 2005 (2004: $nil).

13 RELATIONSHIP WITH THE CROWN

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

14 RELATED PARTY TRANSACTIONS

During the year, Meteorological Service of New Zealand Limited provided certain meteorological services to the Ministry of Transport under a significant contract. Meteorological Service of New Zealand Limited also undertakes transactions with other State Owned Enterprises and Government Departments. All the foregoing were carried out on a commercial and arm's length basis in the normal course of business.

The Parent develops computer software products, some of which were acquired by its subsidiary, Metra Information Limited. These acquisitions were made on normal commercial terms and amounted to $924,628 (2004: $918,721). A balance owed of $128,874 (2004: $393,857) was outstanding at the year end.

During the year the Parent was reimbursed for expenses it incurred on behalf of Metra Information Limited, amounting to $1,081,776 (2004: $730,616). A balance owed of $424,899 (2004: $71,693) was outstanding at the year end.

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

15 INVESTMENT IN SUBSIDIARY

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

16 DIVIDEND	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Interim Dividends				
Interim Dividends relating to 2005	(3,050)	(700)	(3,050)	(700)
	(3,050)	(700)	(3,050)	(700)
Final Dividends				
Final Dividend relating to 2004	(1,040)	(791)	(1,040)	(791)
	(1,040)	(791)	(1,040)	(791)
Special Dividends				
Special Dividends relating to 2005	(3,000)	–	(3,000)	–
	(3,000)	–	(3,000)	–
TOTAL DIVIDENDS PAID	($7,090)	($1,491)	($7,090)	($1,491)

Post Balance Date

Directors have proposed a final dividend of $2,287,000 (2004: $1,040,000), bringing the total dividend payment for the year to $8,337,000 (2004: $1,740,000).

17 RETAINED EARNINGS CARRIED FORWARD

Retained Earnings				
Retained Earnings brought forward	5,225	3,816	4,808	3,861
Operating Surplus for the year	4,152	2,900	3,529	2,438
Dividends paid during the year	(7,090)	(1,491)	(7,090)	(1,491)
RETAINED EARNINGS CARRIED FORWARD	$2,287	$5,225	$1,247	$4,808

18 CONTINGENT LIABILITIES

Meteorological Service of New Zealand Limited has no contingent liabilities as at 30 June 2005 (2004: $nil).

19 PROVISIONS

Campbell Island Provision				
Opening Balance as at 1 July 2004	156	153	156	153
Movement in Provision	5	3	5	3
Closing Balance as at 30 June 2005	161	156	161	156
Termination Leave Provision				
Opening Balance as at 1 July 2004	245	245	245	245
Movement in Provision	25	–	25	–
Closing Balance as at 30 June 2005	270	245	270	245
TOTAL PROVISIONS AS AT 30 JUNE 2005	$431	$401	$431	$401

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

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

Meteorological Service of New Zealand Limited
Key Performance Indicators for the year ended 30 June 2005

KEY PERFORMANCE INDICATORS	Statement of Corporate Intent Target	Actual 2005	Actual 2004
Net Surplus attributable to Shareholders	$3,229,000	$4,152,000	$2,900,000
Net Surplus attributable to Shareholders : Average S/H Funds*	35.3%	58.5%	30.9%
EBIT : Total Tangible Assets	32.9%	39.7%	28.0%
Current Ratio*	0.86:1	1.08:1	1.23:1
Equity Ratio*	62.4%	31.4%	59.3%
Net Surplus attributable to Shareholders : Total Sales	11.4%	13.5%	11.0%
Accounting Value of Crown's Investment	$9,310,000	$7,287,000	$10,225,000
Probability of Detection (POD)	Minimum		
Heavy Rain	75%	90%	93%
Heavy Snow	75%	86%	81%
Severe Gales	75%	87%	83%
False Alarm Ratio (FAR)	Maximum		
Heavy Rain	40%	25%	24%
Heavy Snow	40%	5%	9%
Severe Gales	40%	30%	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.

* Calculation of ratios include dividends declared post balance date (see note 16) but 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.

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

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