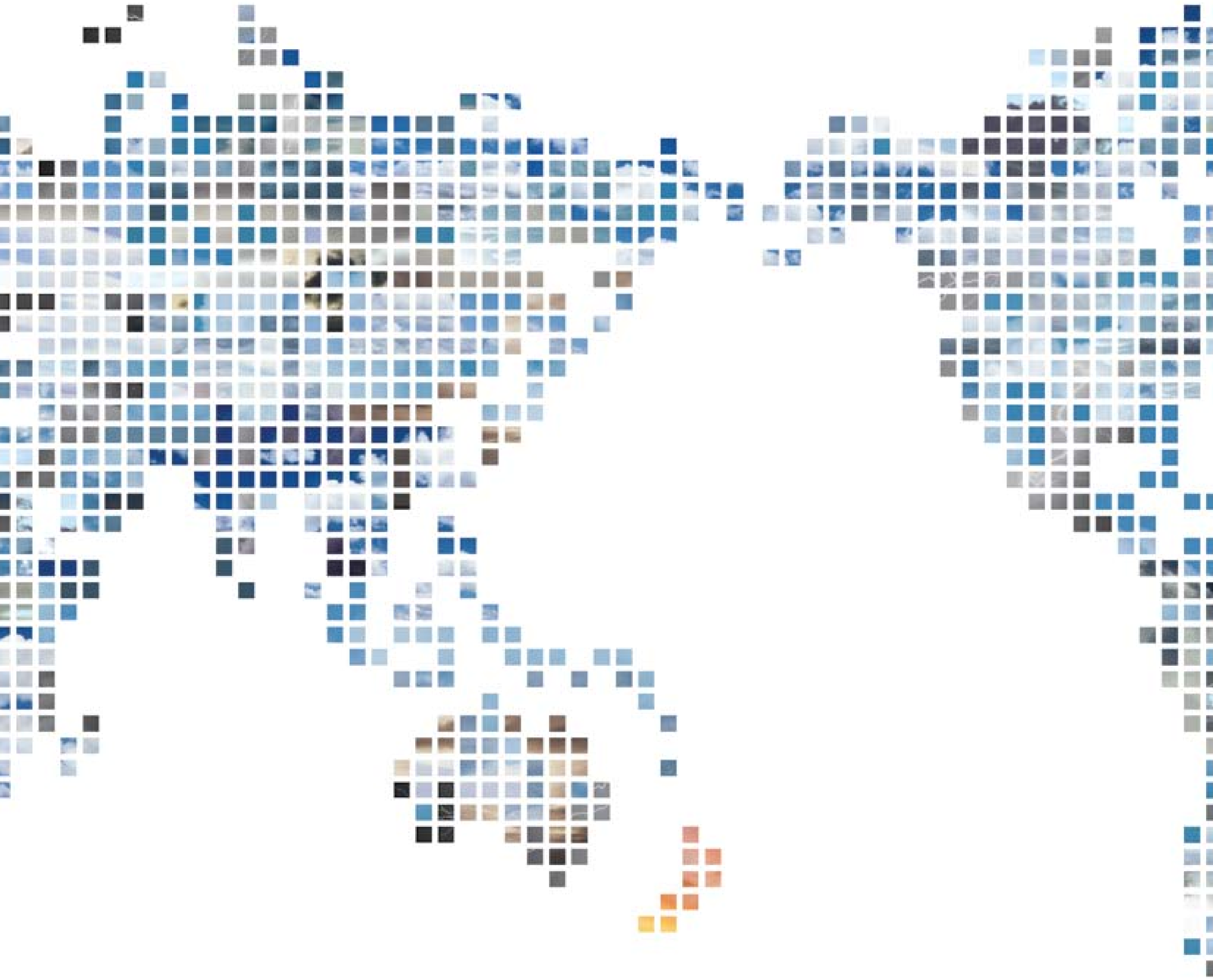
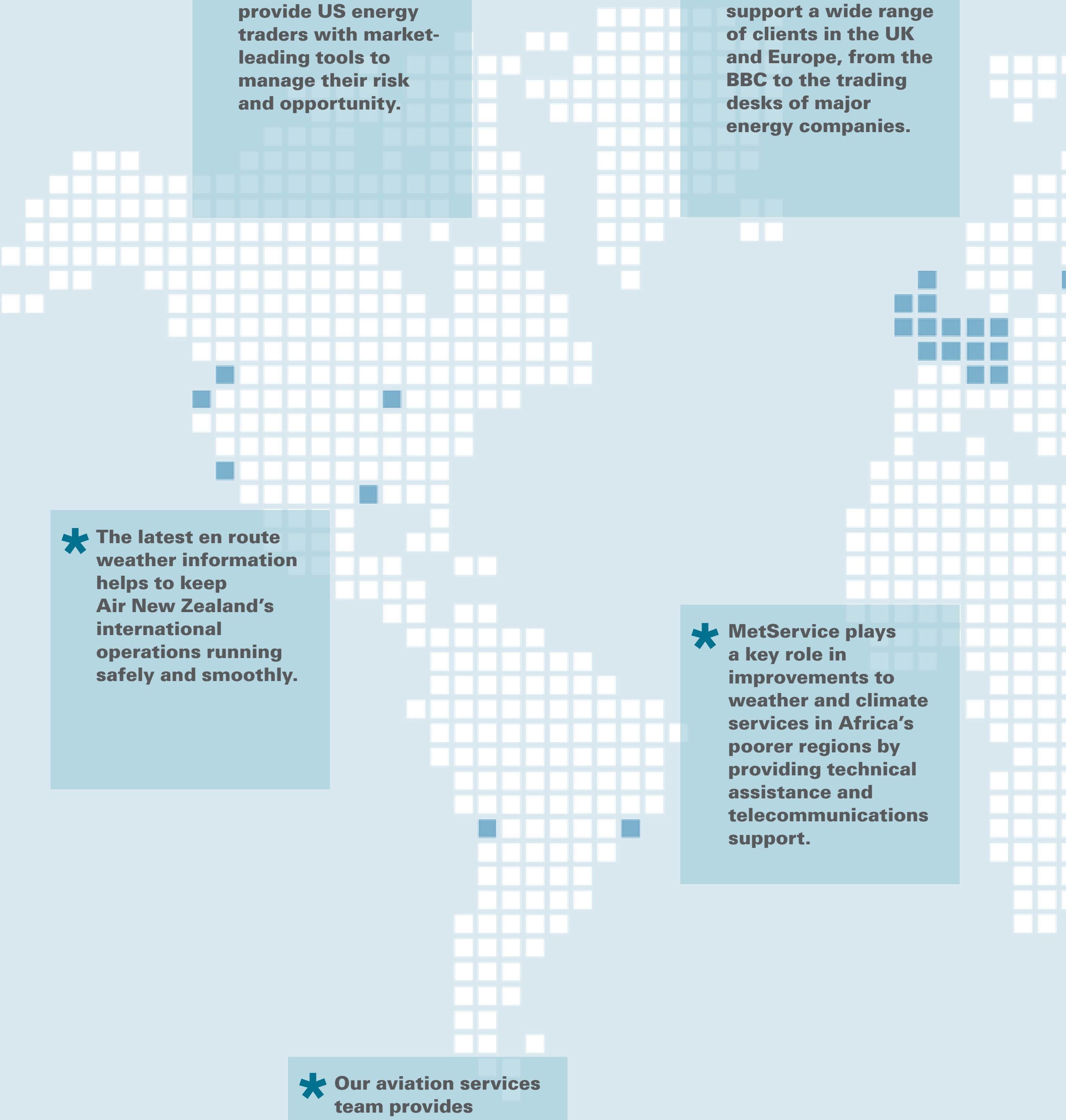


METSERVICE METRA

ANNUAL REPORT 08/09



* Our advanced probability forecasts provide US energy traders with market-leading tools to manage their risk and opportunity.

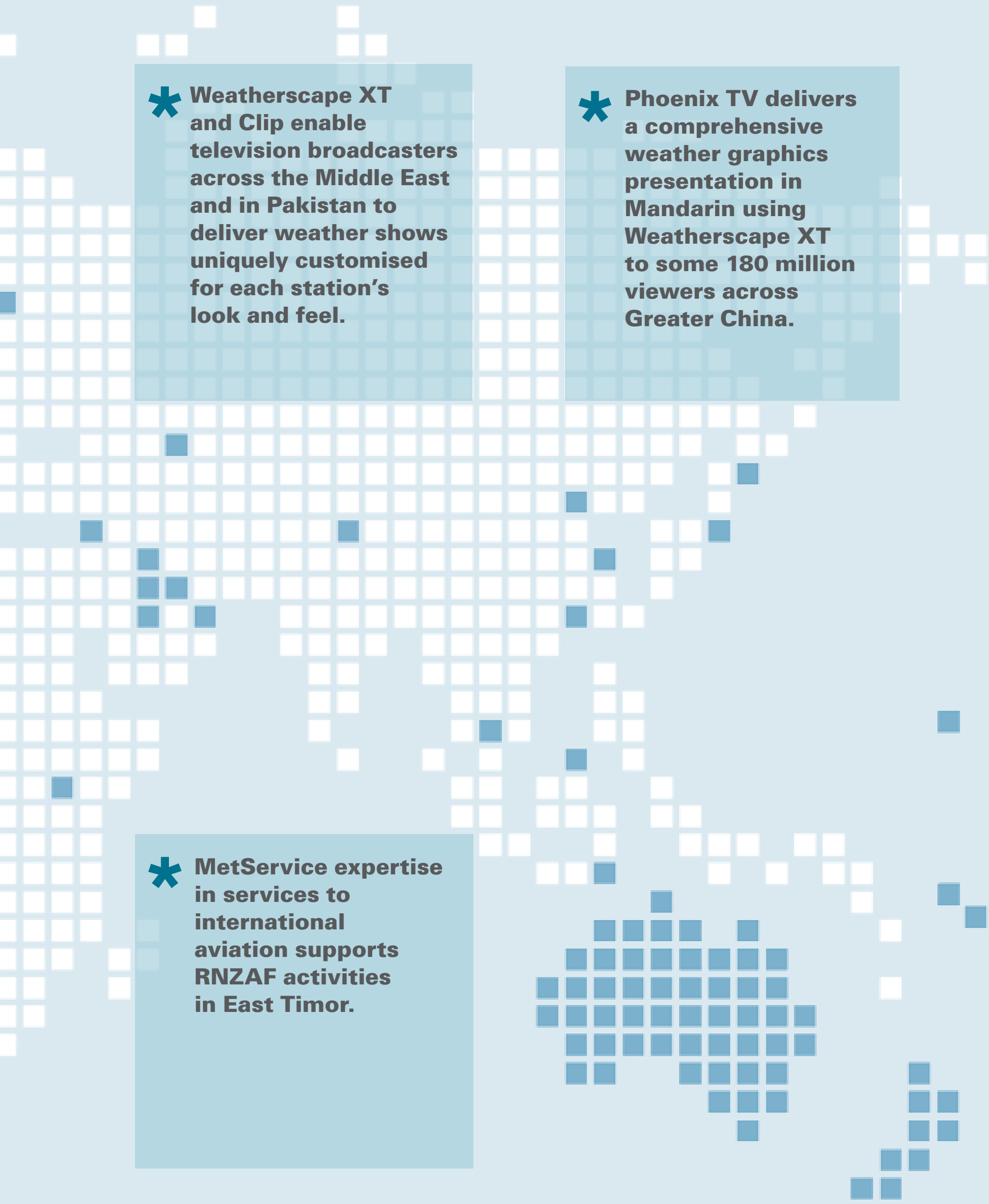
* Metra’s media and energy products support a wide range of clients in the UK and Europe, from the BBC to the trading desks of major energy companies.

* The latest en route weather information helps to keep Air New Zealand’s international operations running safely and smoothly.

* MetService plays a key role in improvements to weather and climate services in Africa’s poorer regions by providing technical assistance and telecommunications support.

* Our aviation services team provides mission-critical support to the US Air Force and Air National Guard for their Antarctic operations.

A GLOBAL LEADER IN LOCAL WEATHER



* Weatherscape XT and Clip enable television broadcasters across the Middle East and in Pakistan to deliver weather shows uniquely customised for each station's look and feel.

* Phoenix TV delivers a comprehensive weather graphics presentation in Mandarin using Weatherscape XT to some 180 million viewers across Greater China.

* Global Observing Network weather stations in Kiribati are being restored and upgraded by MetService's Observations and Engineering team.

* MetService expertise in services to international aviation supports RNZAF activities in East Timor.

* 24/7 backup service to the Nadi Tropical Cyclone Warning Service is provided as part of our weather services contract for public good with the New Zealand Minister of Transport.

* MetService dominates market share for TV weather graphics across Australia and New Zealand, meaning millions of viewers downunder enjoy cutting-edge weather presentations every day.

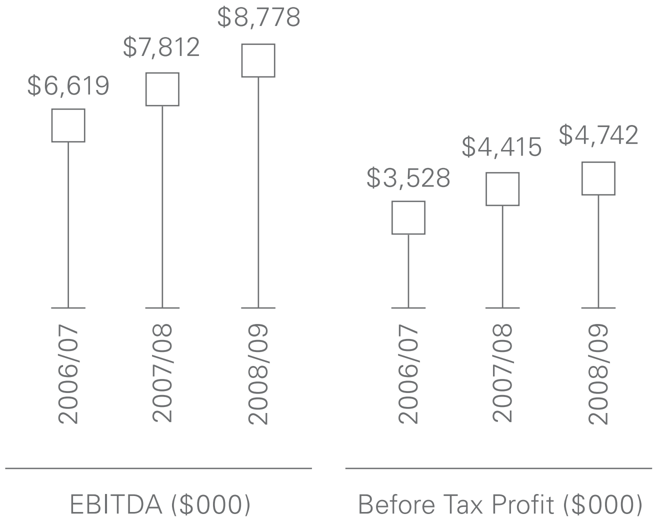
* Our extensive local forecasting operation now provides New Zealanders with world-class severe thunderstrom forecasting and warning service to support protection of life and property.

PRODUCTIVITY IS NEVER AN ACCIDENT.
IT IS ALWAYS THE RESULT OF A COMMITMENT
TO EXCELLENCE, INTELLIGENT PLANNING
AND FOCUSED EFFORT.

Paul J Meyer

Lying deep within the southern oceans, New Zealand's three islands experience some of the world's most changeable weather. Glacial southerly winds, subtropical downpours, temperate zephyrs, sweltering sun – New Zealand encounters it all. Little wonder then, that such a dynamic weather environment has shaped a body of expertise and knowledge second to none that is now sought the world over, whether for business-critical risk management decisions or for the daily commute.

Today, MetService, along with its international commercial subsidiary Metra, is a global leader in providing relevant, timely and accurate weather services to millions of people. We do this by bringing together the expertise of our dedicated professionals and our passion for innovation to make a difference for people and businesses – whether in Lyttelton or London, Hokianga or Hong Kong.



[Our significant, ongoing investment in meteorological and IT infrastructure is building the long-term sustainability of our business.]

Overview of performance

The MetService Group continued its strong performance in 2008/09.

We achieved a net profit before tax of $4.7 million, which represents a 7.4% year-on-year increase. Earnings before interest, taxes, depreciation and amortisation (EBITDA) grew by 12.4% year-on-year to $8.8 million. This result reflects continued growth in both international and domestic revenue, offsetting a substantial increase in depreciation costs.

During 2008/09 we continued our significant ongoing investment in meteorological and IT infrastructure to build the long-term sustainability of our business. We've focused this investment on enhancing our data collection and weather forecasting capabilities, as well as strengthening the resilience of our IT systems.

We made an interim dividend payment for 2008/09 of $500,000 during the year. The final dividend payment for 2007/08 was waived to support our capital investment plan.

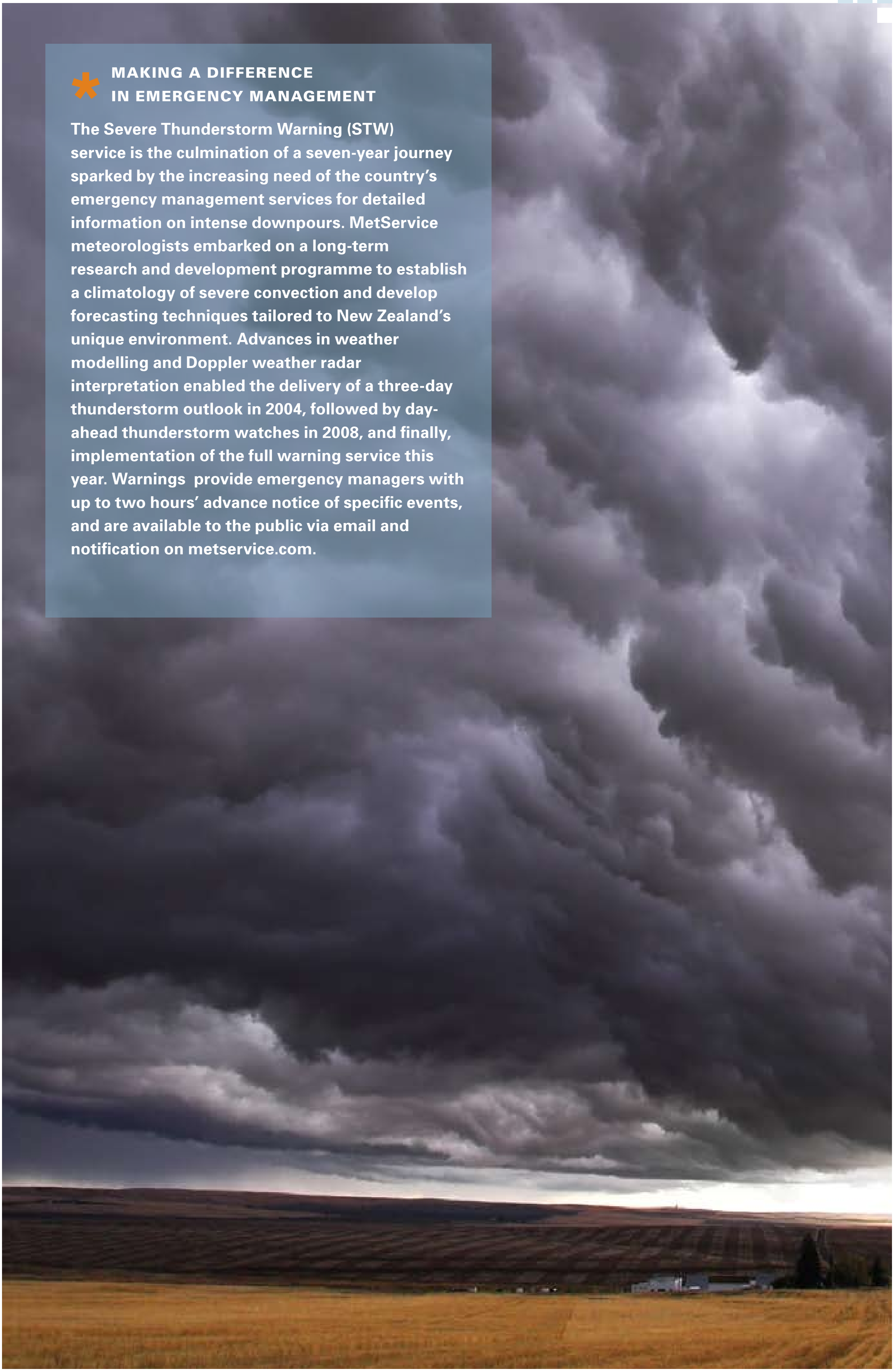
Worldwide, our media graphics business continues to grow. Along with the renewal of several key international contracts, we've now established a firmer foothold in Asia, signing a contract with a major Chinese news broadcaster.

While the global economic downturn has affected our business in the North American energy market, we've leveraged the forecasting technology we developed for US clients to substantially grow our business in Europe.

Locally, we've achieved significant growth in our services to the Minister of Transport and our online business. Forecast performance also exceeded target levels for severe weather warnings, which we continuously monitor for accuracy and timeliness. Probability of Detection (POD) for heavy rain, severe gales or heavy snow exceeded 91%, while False Alarm Ratios (FAR) were 25% or less. While we are pleased with these results, we continually strive to improve the weather service we provide to New Zealanders. In the coming year we will begin an incremental 'stretching' of our forecasting performance targets to drive further improvement.

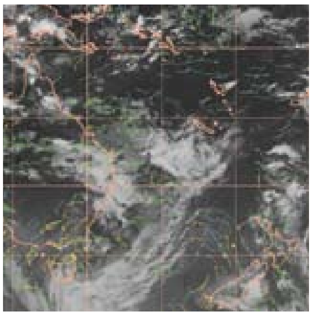
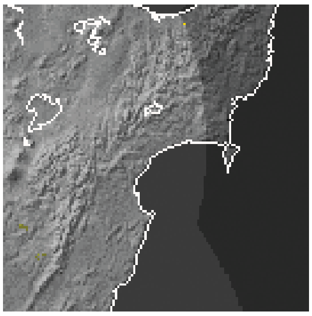
A focus on quality management is a key foundation to our performance, and during the year we retained our ISO 9001 Quality Certification and Civil Aviation Authority (CAA) Part 174 Certification.

Top: Norm Henry, General Manager – Corporate Strategy, and Jodi Taylor, Finance Manager.



MAKING A DIFFERENCE IN EMERGENCY MANAGEMENT

The Severe Thunderstorm Warning (STW) service is the culmination of a seven-year journey sparked by the increasing need of the country's emergency management services for detailed information on intense downpours. MetService meteorologists embarked on a long-term research and development programme to establish a climatology of severe convection and develop forecasting techniques tailored to New Zealand's unique environment. Advances in weather modelling and Doppler weather radar interpretation enabled the delivery of a three-day thunderstorm outlook in 2004, followed by day-ahead thunderstorm watches in 2008, and finally, implementation of the full warning service this year. Warnings provide emergency managers with up to two hours' advance notice of specific events, and are available to the public via email and notification on metservice.com.

The expansion of our radar network is dramatically improving our ability to observe and predict severe weather.

Investing in accuracy and resilience

Weather plays a key role in the lives of New Zealanders and can take a heavy toll socially and economically. As the provider of New Zealand's national meteorological service under contract to the Minister of Transport, we're committed to ensuring that all New Zealanders have access to accurate weather information. This year the Minister extended our contract for 'public good' services to include the new Severe Thunderstorm Warning (STW) service, which commenced 1 July 2009.

We're implementing the STW service in tandem with the expansion of our weather radar network, which will support the short-range forecasting needed for the STW service, as well as underpinning an increased focus on local-scale weather in the years ahead.

During the year, we largely completed the Mahia radar project, which will provide coverage of the Hawke's Bay and Gisborne regions from October 2009. We're now investigating potential radar installation sites in the Far North, Bay of Plenty and the South Island West Coast. Along with the New Plymouth radar commissioned in May 2008, the addition of these five new sites will provide radar coverage of around 80% of the country, dramatically improving our ability to observe and predict severe weather.

Top left: Tom Sutherland, General Manager – Metra Australia and Asia.
Bottom left: Will Owen, General Manager – Metra Europe and Middle East.

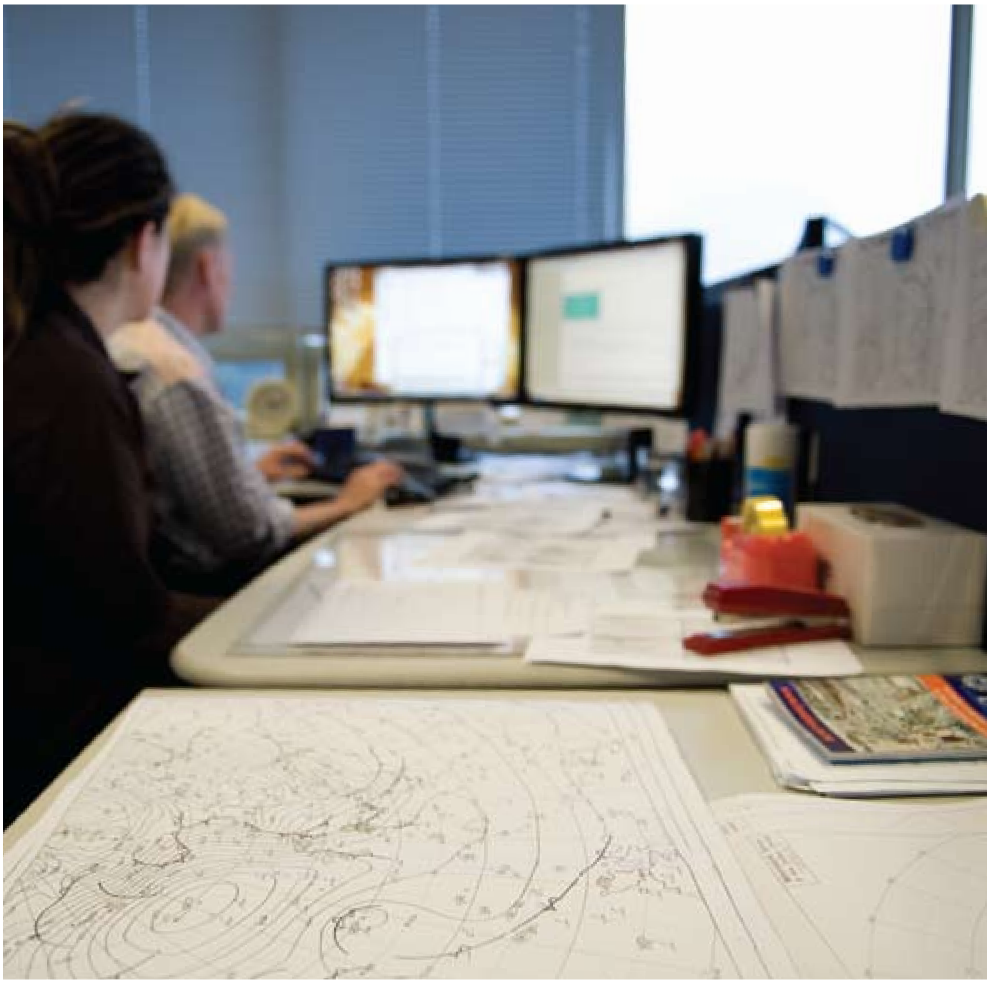
Right: Radome installation for the Mahia radar.



Another enhancement that will improve the accuracy of our forecasting is the development of an advanced numerical weather prediction capability using the Weather Research and Forecasting (WRF) modelling system. We've begun live trialling of a WRF model that incorporates data assimilation and a coupled land-surface model. Validation studies of the results indicate we can achieve a significant improvement in accuracy. While our domestic forecasting service will benefit first from this capability, we plan to extend the modelling application to further develop our international energy and media graphics products.

Information technology is vital to the delivery of these enhancements and we've significantly lifted our investment in IT infrastructure. This year we've focused on migrating legacy IT systems – some of which are over 30 years old – to modern hardware platforms and coding languages.

We've also begun an 18-month disaster recovery programme of work that, when completed, will allow us to fully replicate our systems offsite, thereby substantially improving the resilience of our core capabilities. The first stage is a total re-design of our key aviation product delivery system, which we plan to commission in September.



MetService's forecasting operations rely on cutting-edge modelling and IT technology to support its team of skilled meteorologists.

From left: Russell Turner, Chief Information Officer, Colin Baruch, General Manager – Human Resources, and Mark Ottaway, General Manager – Marketing and Communications.

> We're undertaking major improvements to our surface weather observation capability as part of our commitment to delivering excellence to the aviation industry.

Underpinning New Zealand's air safety

Accurate predictions of airport and en-route weather are critical to aviation safety. We're committed to delivering excellence in forecasting and information for this industry and have an ongoing programme of major improvements to our surface weather observation capability.

In addition to the re-design of our IT delivery system, during the past 12 months we've upgraded automated weather stations at 14 aerodromes around the country, incorporating new technology that enables one-minute observations. The dramatic increase in information about current conditions at airports is invaluable to our forecasters as they face the challenge of local-scale, short-range forecasting for aviation safety.

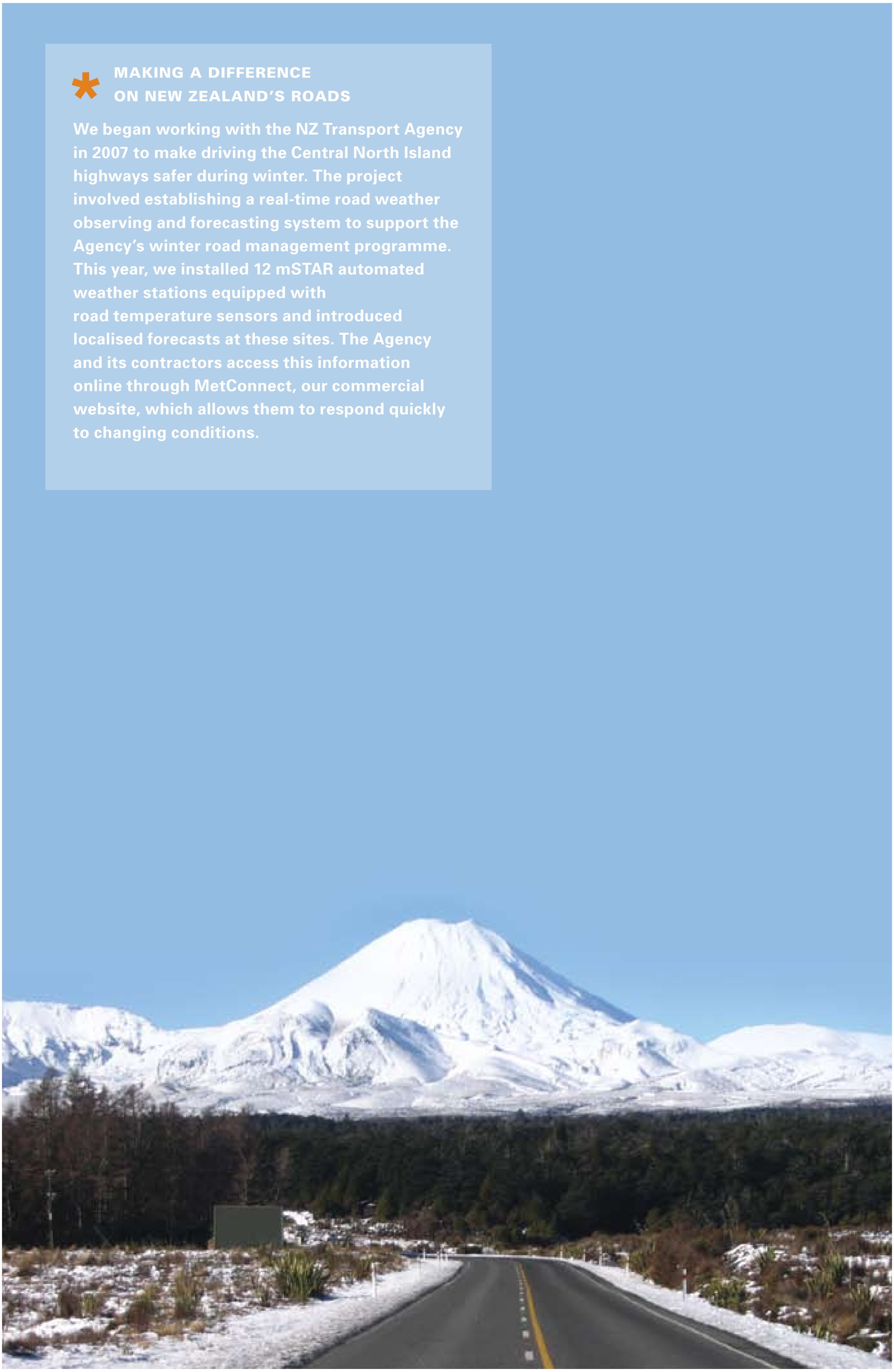
We're also applying our weather observing technology to enhance services to the New Zealand public. In the past year we commissioned new stations at Fairlie and Cape Turnagain and have made significant progress on new installations at New Brighton Pier and Cape Kidnappers.

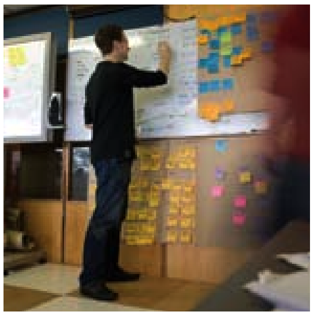
These infrastructure improvements will also allow us to extend our core service provision to the Minister of Transport.

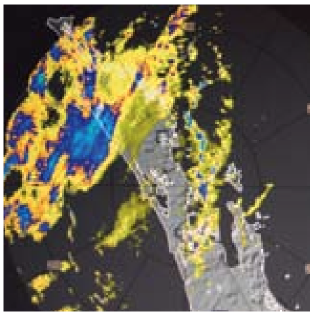
Right: Advanced visibility and cloud sensors installed at Taupo Airport as part of our aviation network upgrade.

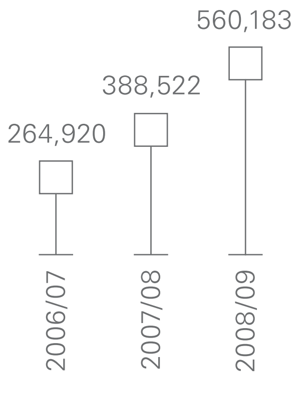
* MAKING A DIFFERENCE ON NEW ZEALAND'S ROADS

We began working with the NZ Transport Agency in 2007 to make driving the Central North Island highways safer during winter. The project involved establishing a real-time road weather observing and forecasting system to support the Agency's winter road management programme. This year, we installed 12 mSTAR automated weather stations equipped with road temperature sensors and introduced localised forecasts at these sites. The Agency and its contractors access this information online through MetConnect, our commercial website, which allows them to respond quickly to changing conditions.









New Zealand Visitors to metservice.com (average per month)

Metservice.com consistently ranks among New Zealand's top 10 most visited websites. On average, over 560,000 New Zealanders (identified by unique web browser) accessed information on our site each month.

Source: Nielsen Market Intelligence, Domestic Traffic

[We're working closely with New Zealand businesses to deliver valuable services that assist their decision-making.]

Helping New Zealanders' everyday decisions

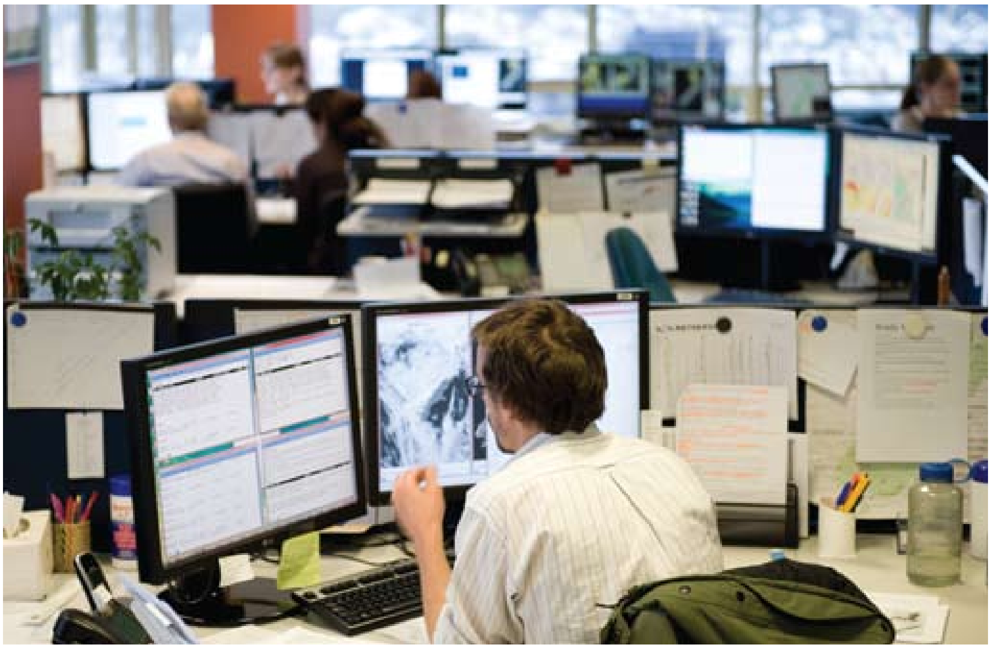
We're providing all New Zealanders with ready access to an increasing range of weather-related information through metservice.com.

Our challenge is to deliver relevant and responsive content that ensures New Zealanders have the information they need to make weather-dependent decisions. The evidence that we're successful is the site's rapidly increasing popularity: the number of New Zealand visitors grew by 33% year-on-year to June 2009. Our web team is continually working to maintain the site's user value, this year introducing one-minute observations, a rural news section and a weather blog.

A comprehensive re-design of the site's underpinning data management systems is ensuring we can continue to handle the growing volume of traffic. We've replaced conventional storage and serving of data with an advanced, scalable, data architecture. This technical innovation has significantly increased performance and provides the capability to meet future demand.

We're also working closely with businesses to deliver valuable services that assist their decision-making. For example, we're trialling our new probabilistic energy forecasts with energy companies in New Zealand and are working closely with the NZ Transport Agency on further development of a winter road safety network.

Technical innovation combined with expert interpretation is improving the way New Zealand businesses make weather-related decisions.



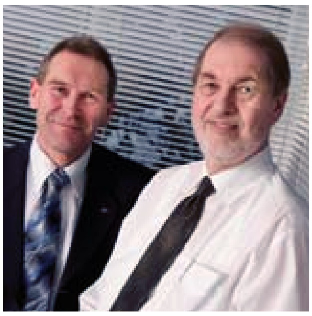
Lessening the 'risk' in risk management

The innovations we're achieving in the international energy industry are building our global reputation for delivering accurate and reliable forecasting products. Increasingly, energy companies view these products as invaluable tools in hedging their business risks.

This year marked the completion of an intensive three-year research and development programme in multi-model probability forecasts ('Ensemble Probability Distributions', or ePD). Using innovative mathematical techniques we've created a high-value product that combines diverse sources of forecast information to deliver a very accurate picture of likely future weather outcomes.

The excellence of our energy research and development is reflected in the commercial success of our Forecast the Forecast product in the US and Europe. This product enables energy traders to quickly get a handle on emerging patterns and trends. We're extending this product's capability to predict the behaviour of model wind forecasts for the European market, with a prototype system now demonstrating excellent performance. We're also working on a suite of unique verification services that will allow clients to continually monitor forecast performance.

Our stronger focus on the European market follows a challenging year in the US, where the economic downturn has had a noticeable effect on the energy trading sector. However, our successful marketing of Forecast the Forecast in Europe has offset the North American downturn. We have also begun live trials of our ePD product in Australia and New Zealand, which we'll extend to our UK and European clients early in the new financial year.



Top: From left, Stephen Harris, General Manager – Sales and Client Management, and Rod Stainer, General Manager – National Weather Services.

[Metra's cutting-edge presentation products enable broadcasters around the world to deliver more relevant daily forecasts to their audiences.]

Providing a clearer picture of weather

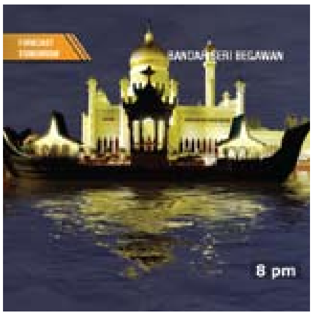
All over the world our Weatherscape graphics are making television and online weather forecasts more relevant to the daily lives of millions of people through timely, accurate and visually striking presentations.

Weatherscape XT is fully integrated with each broadcaster's production environment and offers constantly updated (real-time) 3D weather graphics. A cutting-edge solution, XT delivers immense flexibility to larger broadcasters. It allows them to totally customise presentations to create a unique station identity and point of difference with their audience. Weatherscape Clip offers a ready-to-air solution for small- to medium-sized broadcasters, delivering pre-rendered 3D XT video clips.

We've strengthened our media market position this year, renewing long-term contracts with key clients such as Australia's Channel 9. We've also secured significant new business in Europe and the Middle East and, in an exciting development, signed with Phoenix Television, the world's leading Chinese-language news broadcaster.

An emerging challenge in the growth of our international Weatherscape business is achieving timely integration of locally-supplied meteorological data. This is vital to achieving the accuracy and relevance of forecasts that broadcasters are seeking to deliver to their audiences. We've implemented a set of open application programming interfaces that allow third-party developers to streamline the integration of meteorological data, while also allowing our developers to focus on core product innovations.

One such innovation we released to the market this year is the wind-blown particle feature – an animated representation of wind direction, strength and temperature. We created the feature using advanced graphics processing techniques more conventionally applied in cutting-edge video games.



Our Weatherscape television weather graphics system supports broadcasters around the world.

* MAKING A DIFFERENCE TO 180 MILLION CHINESE

On 16 June 2009, some 180 million people in China tuned in to a clearer picture of their weather, courtesy of Phoenix Television's new Weatherscape XT-based weather show. The Hong Kong-based company broadcasts throughout China and across the Asia-Pacific region, Europe and the Americas. Phoenix's launch with such a highly visible demonstration of Weatherscape XT's capability is a major step forward in our effort to gain further traction in the Asian markets.

Graduates of the 2008 forecaster training course. From left: Nicole Ranger, Carole Duncan, Jonathan Tunster, Robert Kerr, Tristan Oakley, Stephen Glassey and Thea Turkington. Missing from photo – Michael O'Connor, Peter Smith and Tina Donaldson.

[Restoring Global Surface Network weather observing stations in Kiribati was just one of the international development projects MetService undertook during the year.]

Providing leadership in the global community

MetService has a strong commitment to building the skills and expertise of the international meteorological community. Through our association with the World Meteorological Organization (WMO) we make a strong contribution to the international community and provide regional support for weather and climate services within the Pacific. We've taken part in a number of key international development projects over the past year, including:

* the Tonga Early Warning project that, with funding support from Munich Re-Insurance, installed five high-frequency radio internet systems throughout Tonga to enable weather and emergency communications;
* a restoration programme for Kiribati Global Surface Network weather observing stations;
* a joint MetService/NIWA initiative to guide effective adaptation to impacts of climate change in the Pacific; and
* an upgrade of the computer network supporting meteorological services in Niue.

MetService employees also participated in a large number of WMO conferences and meetings, including:

* the 12th Session of the WMO Regional Association V Tropical Cyclone Committee, held in Niue, 11-18 July 2008;
* presentation of a paper at the WMO Capacity Building Workshop for National Meteorological and Hydrological Services of the Least Developed Countries in Asia-Pacific, in Port Vila, Vanuatu, 6 -10 October 2008;
* presentation of a paper at the 16th meeting of the Co-ordinating Committee of the Standing Conference of Heads of Training Institutions of National Meteorological and Hydrological Services in Langen, Germany, 20-24 October 2008;
* delivery of lectures at the ASEAN and Republic of Korea Training Workshop on Aviation Meteorology, organised by the WMO and held 10-14 November 2008 in Seoul, with participating forecasters from Brunei, Laos, Vietnam, Singapore, Malaysia, the Philippines, and Myanmar;
* the Commission for Basic Systems 14th session in Dubrovnik, Croatia, from 25 March-2 April; and
* the 61st WMO Executive Council Session held in Geneva from 3-12 June 2009.

Recognising our most important asset

While the currency of our work is the rapidly changing domains of information and meteorological technology, our competitiveness and scientific credibility ultimately rest with our people. We're proud of the professionalism and commitment they bring to their work. The success of MetService this year – and in the years ahead – is driven by these attributes.

As a Board and management team we're committed to providing a work environment that both acknowledges and fosters the immense contribution of our people.

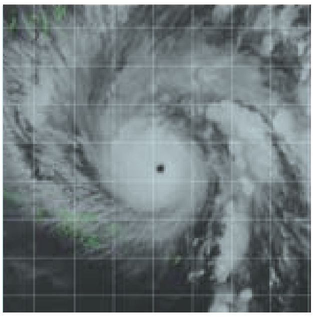
During the year we implemented a robust human resources framework along with a new job evaluation methodology, which we applied to all roles across the company from February 2009. This is now complemented by a market-based remuneration structure and a set of behavioural competencies that reflect the culture described by our Vision, Mission and Values, on a role-by-role basis.

This year's Gallup Q12 survey of employee engagement once again demonstrated a high participation rate amongst staff, and results for this second survey showed significant advances over last year.

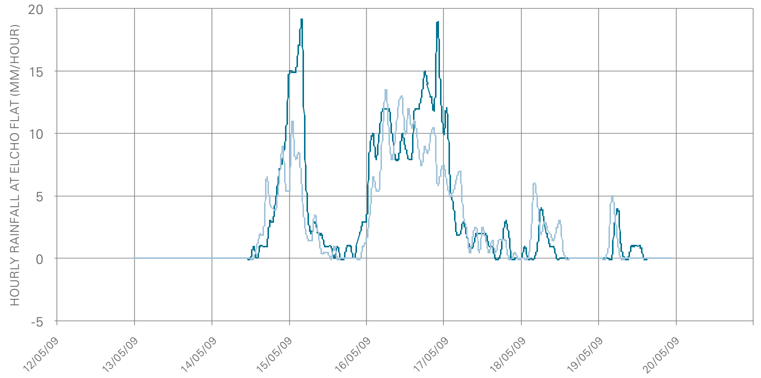
We continue to build future forecaster resources through our in-house training programme, which provides science graduates with meteorological training to WMO standards. The 2008 intake of meteorologist trainees successfully completed their course, followed quickly by the start of the 2009 course in January. Our team of WMO graduate meteorologists provides essential skills that support our core business.

In April we farewelled outgoing Chairman Francis Small, who stood down after leading the MetService Board for the past six years. We thank Francis for his contribution to the success of the company. Sarah Astor takes over the Chairmanship with Polly Schaverien as Deputy Chair, the role Sarah previously held.

Our forecasting research team supports domestic and international operations with advanced weather modelling and product innovation.



MetService forecast vs actual rainfall at Elcho Flat, Upper Waitaki Basin during May 2009 flooding event



> We're in a strong position to provide our local and international clients – and the people of New Zealand – with the outstanding service they expect from MetService.

Looking forward

The coming year will be another challenging one – not the least because we're anticipating that global economic conditions will continue to dampen demand for weather-related services.

To ensure we can deliver and grow our return on investment both locally and internationally, we'll maintain our investment in research and development programmes to support growth in our energy, media and online activities. We'll also explore more partnership arrangements to extend our sales capability overseas.

Locally, we will commission the Mahia weather radar, install a third new radar and further advance our aviation network modernisation programme. We also expect to complete the migration of our IT legacy systems, after which we'll focus on strengthening the robustness of our back-up facilities. The coming year will also see a major re-design of our website to support its growing traffic and associated revenue.

We face 2009/10 in a strong position to provide our local and international clients – and the people of New Zealand – with the outstanding service they expect from MetService as a result of the efforts of many. We thank our suppliers and our customers for their support and look forward to building on our productive working relationships with you. We also thank all of our employees for their hard work and commitment. With their continued professional and dedicated contribution, we're confident that the coming year will be another successful one.

Sarah Astor, Chairman

Paul Reid, Chief Executive

Top: Paul Reid, Chief Executive. Bottom: Neil Gordon, General Manager – Science Research and Development.

MAKING A DIFFERENCE IN ENERGY RELIABILITY

Winter 2009. With a backdrop of three weeks of heavy rain and significant snow melt in the upper Waitaki basin, Meridian Energy faced a growing challenge in managing its hydro lakes with the immediate prospect of further heavy rainfalls. However, MetService's expert guidance and advance warnings of the more than 400 mm of rainfall between 14-19 May provided vital support for Meridian's risk management decision making.

"…huge thanks to the MetService team for providing such a valuable and accurate warning, for your help on the phone, and for not flinching when I asked 'you are predicting how much rain!?'"

" As far as I am concerned this forecast was spot on."

Eddie Stead
Generation Hydrologist | Meridian Energy



Directors from left:
Sarah Astor (Chairman),
James Koh and Joanne Keestra.

Corporate Governance Statement

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

The Directors are pleased to present the corporate governance statement which provides an overview of the Company's main governance practices.

BUSINESS ACTIVITIES

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

Its core business activities include:

* the provision of New Zealand's National Meteorological Service under contract to the Minister of Transport;
* the provision of weather services to domestic and international aviation; and
* other domestic weather forecasting services.

Its related business activities include:

* the provision of specialised weather services to the energy sector, both domestic and international;
* the provision of television weather graphics services and supporting data, both domestic and international;
* the sale of advertising space on its metservice.com website; and
* other overseas weather forecasting services.

SHAREHOLDERS

As a State-Owned Enterprise (SOE), MetService is wholly-owned by the Crown. Two Shareholding Ministers act on behalf of the Crown – the Minister of Finance and the Minister for State-Owned Enterprises.

ROLE OF THE BOARD OF DIRECTORS

Under the Companies Act 1993, the Board is responsible for managing, by or under its direction or supervision, the business and affairs of the Company. This includes responsibility for the Company's strategic direction and oversight of its management, with the ultimate aim of increasing shareholder value. The primary responsibility of the Directors is to exercise their business judgement to act, in good faith, in what they believe to be the best interests of the Company and its shareholders. In meeting its responsibilities, the Board:

* provides leadership and vision to the Company in a way that will enhance shareholder value;
* ensures that appropriate systems and processes are in place so that the business of the Company is conducted in an honest, ethical, responsible and safe manner;
* appoints, manages and monitors the performance of the Chief Executive Officer;
* oversees the overall conduct of the business and ensures that it is being properly managed;
* ensures that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
* actively engages in directing and approving the strategic planning of the Company and monitoring the implementation of the strategies by Company management;
* reviews and approves the Company's budgets, business plans and Statement of Corporate Intent, and ensures they meet shareholder requirements;

* sets delegated financial authority levels for the Chief Executive Officer;
* reviews and approves all material acquisitions and divestments, and all capital expenditure exceeding the Chief Executive Officer's delegated financial authority;
* monitors the financial and non-financial performance of the Company against its goals and targets, and ensures the integrity of reporting;
* fosters constructive relationships with the Company's shareholders, and gives due consideration in all of its activities to the Company's stakeholders; and
* conducts itself in such a way that Board meetings and discussion promote focused, open debate within a supportive team atmosphere.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed to the 'no surprises' policy adopted by Shareholding Ministers, and proactively advises its shareholders on significant issues on an on going basis.

Under the State-Owned Enterprises Act 1986 the Company is required to provide Shareholding Ministers with:

* an annual Business Plan and Statement of Corporate Intent outlining the Company's strategic direction and financial projections for the coming three years;
* an annual report including audited financial statements;
* a half-yearly report including unaudited financial statements; and
* quarterly reports outlining financial performance, major achievements and issues of concern.

COMPOSITION OF THE BOARD

In accordance with the Constitution of the Company, the Board must comprise not less than two, and not more than nine, Directors, who are appointed by the Shareholding Ministers.

BOARD MEETINGS

The Board meets approximately 11 times per year. Additional meetings are held as required.

The annual programme is set by the Board prior to the start of each calendar year. To enable the Board to function effectively, management provides formal Board papers generally a week in advance of meetings. Executive managers are regularly involved in Board discussions and Directors have other opportunities to gain information and advice in relation to the Company and its operations.

BOARD COMMITTEES

The Board currently maintains three standing committees: the Audit Committee, the Risk and Compliance Committee and the Human Resources Committee. Other committees are formed for specific purposes and disbanded as required.

The purposes of the standing committees are as follows:

AUDIT COMMITTEE

The objective of the Audit Committee is to assist the Board in discharging its responsibilities relative to financial reporting and regulatory conformance. Its main responsibilities are the oversight of the financial audit process, including the appointment of independent auditors, assessment of the performance of the Company's financial management and ensuring compliance with statutory requirements related to finance.

RISK AND COMPLIANCE COMMITTEE

The objectives of the Risk and Compliance Committee are to ensure that the Company complies with all relevant legislation and maintains a sustainable Risk Management Programme, incorporating robust processes for identifying and assessing material risks to the Company and establishing risk mitigation strategies.

HUMAN RESOURCES COMMITTEE

The objective of the Human Resources Committee is to ensure the Company achieves and fulfils the role of a good employer as required by section 4 of the State-Owned Enterprises Act 1986, through the establishment of effective policies and procedures to achieve a skilled, motivated and engaged workforce that will contribute to the successful operation of the Company.

CONFLICTS OF INTEREST

The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business and the requirements of the Companies Act 1993.

The Company Constitution specifies rules regarding the activities of a Director in relation to any transaction in which they have an interest outside of their Board responsibilities.
In particular, interested Directors are prohibited from voting on the relevant transaction.

Where conflicts of interest do arise, Directors are required to advise the Chair and excuse themselves from the relevant discussions.

The Board maintains a register of interests that is reviewed and updated at each regular Board meeting to ensure that Directors are aware of the existence and nature of all disclosures of interest.

BOARD PERFORMANCE REVIEW AND DEVELOPMENT

The Board regularly reviews its own performance. Individual Directors' views and the collated views of members of the executive management team are sought on Board process, efficiency and effectiveness, and discussed by the Board as a whole.

RESULTS OF OPERATIONS

	2009 $000s	2008 $000s
Net Surplus attributable to Shareholders	3,248	2,893
Interim Dividends Paid	500	–
Special Dividends Paid	–	–
Final Dividend Paid	–	–
Retained Earnings at beginning of the year	**3,609**	**716**
Retained Earnings at end of the year	**6,357**	**3,609**

CHANGES OF 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. Karen Shires with support of PricewaterhouseCoopers audit Meteorological Service of New Zealand Ltd on behalf of the Auditor-General.

During the year, amounts received or due and receivable by PricewaterhouseCoopers were:

* Meteorological Service of New Zealand Ltd – Audit $40,000 (2008: $49,765) and Other Services $nil (2008: $nil)
* Metra Information Ltd – Audit $35,000 (2008: $12,000) and Other Services $nil (2008: $nil).

REMUNERATION OF EMPLOYEES

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

$000s	Number
100-109	11
110-119	6
120-129	4
130-139	1
140-149	1
150-159	3
160-169	1
180-189	2
190-199	1
220-229	1
400-410	1

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).

A F Small (Chairman) Resigned 30 Apr 09	$42,167.00
S Astor (Chairman)	$31,145.81
P Shaverien (Deputy Chair)	$23,958.35
J Keestra	$23,000.00
D Houldsworth	$23,000.00
G Whitau	$23,000.00
J Koh	$23,000.00
Total Directors' Remuneration	**$189,271.16**

Directors from left:
Gregory Whitau, Polly Schaverien (Deputy Chair) and David Houldsworth.

DIRECTORS' INTERESTS REGISTER

A F Small

Shareholder/Director
Murray King & Francis Small Consultancy

Councillor
WelTec

S Astor

Director
Novo Strategic Brand Management

Director
Christchurch City Holdings Ltd

Director
Selwyn Plantation Board Ltd

Director
Sasco Holdings Ltd

Trustee
Church Property Trustees

Trustee
AdFund

Trustee
Warren Architectural Trust

J Keestra

Shareholder/Director
Keestra Consulting

Shareholder/Director
Aviation Consulting Partners

P Schaverien

D Houldsworth

Director
NZ Wool Services Intl Ltd

Director
Tea Lounge Ltd

Shareholder/Director
Midas New Zealand Ltd

Shareholder/Director
Won Door New Zealand Ltd

Shareholder/Director
Bentwood Investments Ltd

Director
Asset Finance Ltd

G Whitau

Shareholder/Director
Team Logistics Ltd

Trustee
Enterprise Waitaha

J Koh

Director
Eyredale Farming Company Ltd

Director
Koh Holdings Ltd

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 made donations of $5,264 to the Leukaemia Foundation and Wellington Free Ambulance.

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 1 September 2009.

S Astor
Chairman

D Houldsworth
Director

Income Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

FOR THE YEAR ENDED 30 JUNE 2009	Note	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Operating Revenue		36,842	34,983	18,781	24,954
TOTAL OPERATING REVENUE	2	**36,842**	**34,983**	**18,781**	**24,954**
Operating Expenses					
Employee Benefits Expense	3	18,014	16,696	14,060	12,187
Communication Costs		819	829	699	672
Data Acquisition Costs		3,042	3,878	2,307	3,680
EDP Costs		770	766	734	727
Marketing Costs		950	834	176	98
Occupancy Costs		489	491	470	476
Operating Lease Expenses	24	748	591	609	513
Office Expense Costs		210	246	159	182
Professional Expense Costs		1,420	1,634	701	628
Other Costs		1,562	1,213	1,269	701
Depreciation and Amortisation Expense		3,667	3,046	2,812	2,240
TOTAL OPERATING EXPENSES	2	**31,691**	**30,224**	**23,996**	**22,104**
OPERATING PROFIT / (LOSS)		**5,151**	**4,759**	**(5,215)**	**2,850**
Financial Costs	4	369	351	326	334
Change in Value of Option		50	-	-	-
Share of Profits of Jointly Controlled Entity	14	(10)	(7)	-	-
PROFIT / (LOSS) BEFORE TAXATION		**4,742**	**4,415**	**(5,541)**	**2,516**
Taxation (Expense) / Credit	5	(1,494)	(1,522)	1,847	(843)
NET PROFIT / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS		**3,248**	**2,893**	**(3,694)**	**1,673**

The accompanying Notes to the Financial Statements form part of these Financial Statements.

Balance Sheets

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

AS AT 30 JUNE 2009	Note	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Equity					
Issued Capital	6	5,000	5,000	5,000	5,000
Retained Earnings / (Accumulated Losses)	21	6,357	3,609	(2,835)	1,359
TOTAL EQUITY		**11,357**	**8,609**	**2,165**	**6,359**
Liabilities					
Bank Advance	12	-	1,000	-	1,000
Trade and Other Payables	7	3,923	4,869	2,223	3,696
Directors' Fees Payable		6	30	6	30
Amounts Owing to Related Parties	12	-	-	8,407	-
Employee Benefits	9	1,564	1,616	1,518	1,616
Income Taxation Payable		309	-	-	-
Provisions	10	441	333	441	333
Borrowings	11	-	800	-	800
TOTAL CURRENT LIABILITIES		**6,243**	**8,648**	**12,595**	**7,475**
Provisions	10	190	227	190	227
Borrowings	11	6,000	4,000	6,000	4,000
TOTAL NON-CURRENT LIABILITIES		**6,190**	**4,227**	**6,190**	**4,227**
TOTAL LIABILITIES AND EQUITY		**23,790**	**21,484**	**20,950**	**18,061**
Assets					
Cash and Bank Balances	25	818	127	67	(48)
Trade and Other Receivables	8	5,329	4,831	2,338	3,078
Amounts Owing from Related Parties	12	-	-	-	931
Bank Deposits	12	250	-	250	-
Derivative Instruments	20	43	53	43	53
Inventories	13	536	659	536	659
Income Taxation Receivable		-	804	3,183	1,478
TOTAL CURRENT ASSETS		**6,976**	**6,474**	**6,417**	**6,151**
Deferred Taxation	5	409	409	439	17
Property, Plant and Equipment	19	13,201	11,076	12,648	10,285
Investments in Jointly Controlled Entities	14	747	787	-	-
Derivative Instruments	20	56	113	-	7
Other Intangible Assets	18	2,401	2,625	1,446	1,601
TOTAL NON-CURRENT ASSETS		**16,814**	**15,010**	**14,533**	**11,910**
TOTAL ASSETS		**23,790**	**21,484**	**20,950**	**18,061**

The Board of Directors of Meteorological Service of New Zealand Ltd authorised these financial statements for issue on 1 September 2009.

S Astor
Chairman

D Houldsworth
Director

The accompanying Notes to the Financial Statements form part of these Financial Statements.

Statements of Changes in Equity

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

FOR THE YEAR ENDED 30 JUNE 2009		Fully Paid Ordinary Shares	Retained Earnings/ (Accumulated Losses)	Total
GROUP 2009	Note	$000s	$000s	$000s
Equity as at 1 July 2008	6, 21	**5,000**	**3,609**	**8,609**
Net Profit		-	3,248	3,248
TOTAL RECOGNISED INCOME AND EXPENSES		-	**3,248**	**3,248**
Payment of Dividends				
Interim Dividend	22	-	(500)	(500)
TOTAL DIVIDENDS		-	**(500)**	**(500)**
EQUITY AS AT 30 JUNE 2009		**5,000**	**6,357**	**11,357**
GROUP 2008				
Equity as at 1 July 2007	6, 21	**5,000**	**716**	**5,716**
Net Profit		-	2,893	2,893
TOTAL RECOGNISED INCOME AND EXPENSES		-	**2,893**	**2,893**
EQUITY AS AT 30 JUNE 2008		**5,000**	**3,609**	**8,609**
PARENT 2009				
Equity as at 1 July 2008	6, 21	**5,000**	**1,359**	**6,359**
Net Profit		-	(3,694)	(3,694)
TOTAL RECOGNISED INCOME AND EXPENSES		-	**(3,694)**	**(3,694)**
Payment of Dividends				
Interim Dividend	22	-	(500)	(500)
TOTAL DIVIDENDS		-	**(500)**	**(500)**
EQUITY AS AT 30 JUNE 2009		**5,000**	**(2,835)**	**2,165**
PARENT 2008				
Equity as at 1 July 2007	6, 21	**5,000**	**(314)**	**4,686**
Net Profit			1,673	1,673
TOTAL RECOGNISED INCOME AND EXPENSES		-	**1,673**	**1,673**
EQUITY AS AT 30 JUNE 2008		**5,000**	**1,359**	**6,359**

The accompanying Notes to the Financial Statements form part of these Financial Statements.

Statements of Cash Flows

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

FOR THE YEAR ENDED 30 JUNE 2009	Note	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Cash Flow from Operating Activities					
Cash was Provided from:					
Receipts from Customers		35,349	36,342	26,992	25,986
Interest Received		78	31	77	28
Cash was Applied to:					
Payments to Suppliers and Employees		(30,154)	(31,019)	(23,817)	(22,540)
Interest Paid		(417)	(345)	(371)	(332)
Income Taxation Paid		(381)	(1,812)	(279)	(1,708)
NET CASH GENERATED BY OPERATING ACTIVITIES	23	**4,475**	**3,197**	**2,602**	**1,434**
Cash Flow from Investing Activities					
Cash was Provided from:					
Proceeds from Disposal of Property, Plant and Equipment		-	-	-	-
Dividend Received		47	-	-	-
Cash was Applied to:					
Purchase of Property, Plant and Equipment		(3,281)	(4,210)	(2,737)	(2,476)
Investments in Jointly Controlled Entities		-	(847)	-	-
NET CASH USED BY INVESTING ACTIVITIES		**(3,234)**	**(5,057)**	**(2,737)**	**(2,476)**
Cash Flow from Financing Activities					
Cash was Applied to:					
Dividends		(500)	(1,650)	(500)	(1,650)
Increased Borrowings		1,200	800	2,000	-
NET CASH USED IN INVESTING ACTIVITIES		**700**	**(850)**	**1,500**	**(1,650)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**1,941**	**(2,710)**	**1,365**	**(2,692)**
Add Cash and Cash Equivalents at the Beginning of the Year		(873)	1,837	(1,048)	1,644
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	**1,068**	**(873)**	**317**	**(1,048)**

The accompanying Notes to the Financial Statements form part of these Financial Statements.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD | FOR THE YEAR ENDED 30 JUNE 2009

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity of Meteorological Service of New Zealand Ltd ('Parent') and consolidated financial statements comprising Meteorological Service of New Zealand Ltd and its subsidiaries ('Group').

These financial statements were authorised for issue by the Board of Directors on 1 September 2009.

Standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning 1 July 2009:

(i) NZ IFRS 8: NZ IFRS 8 Operating Segments (effective for periods beginning on or after 1 January 2009) NZ IFRS 8 replaces NZ IAS 14 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption has been delayed until the Exposure Draft has been finalised. NZIAS 14 does not apply to the Group on the basis that the Parent's debt and equity instruments are not publicly traded. The expected impact is currently being assessed in detail by management.

(ii) NZ IAS 1: Presentation of Financial Statements (effective for periods beginning on or after 1 January 2009) NZ IAS 1 incorporates a number of amendments to disclosure requirements for financial statements, including introducing the Statement of Comprehensive Income. It is not anticipated that NZ IAS 1 will have a significant impact on the Group's financial statements.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards ('IFRS') as appropriate for profit-oriented entities. The financial statements are prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993 and the State-Owned Enterprises Act 1986. Meteorological Service of New Zealand Ltd is incorporated and domiciled in New Zealand. The address of its registered office is 30 Salamanca Road, Wellington. Its primary service is to provide weather and presentation services to customers around the globe.

A.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

BASIS OF PREPARATION

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and the financial position under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, are followed in the preparation of the financial statements.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 30 June 2009 using the purchase method. Subsidiaries are all entities over which the Group has control. Control is achieved where the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of any subsidiary acquired or disposed of during the year are included in the Income Statement from the effective date of acquisition or disposal. All significant transactions between Group companies are eliminated on consolidation. Investments in subsidiaries are recorded at cost in the Parent company's financial statements.

Jointly controlled entities

The Group's interest in jointly controlled entities is accounted for using the equity method of accounting. Investments in jointly controlled entities are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of post-acquisition profits or losses of jointly controlled entities is recognised in the Income Statement.

All signficant transactions between Group companies and the Group's jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities.

REVENUE

Revenue is measured at the fair value for the sale of goods and services. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

* the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
* the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
* the amount of revenue can be measured reliably;
* it is probable that the economic benefits associated with the transaction will flow to the Group; and

* the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

* installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
* servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
* revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income

Interest income is accounted for using the effective interest rate method.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants relating to assets are treated as deferred income and recognised in the Income Statement over the expected useful lives of the assets concerned.

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. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

PROPERTY, PLANT AND EQUIPMENT

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 the intended service. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

The costs of assets constructed by the Parent and Group include the costs of all materials used in construction and direct labour on the project. Costs are capitalised as soon as the asset is capable of productive use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate the historical cost over the estimated useful life of the asset, after due allowance has been made for the expected residual value.

The cost of improvements to leasehold property capitalised, disclosed as leasehold property and amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is shorter.

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

Buildings	2.5%-10.0%
Computer Equipment	20.0%-33.3%
Furniture & Fittings	20.0%-33.3%
Leasehold Property	3.1%-5.0%
Meteorological Equipment	10.0%-33.0%
Motor Vehicles	15.0%-20.0%
Office Equipment	20.0%-33.0%
Plant & Equipment	10.0%-33.0%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised in the Income Statement.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly controlled entity at the date of acquisition. Goodwill on acquisition of jointly controlled entities is included in 'Investments in Jointly Controlled Entities'.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ('CGUs') or groups of cash-generating units that are expected to benefit from the business combination in which the goodwil arose identfied according to operating segment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill recognised in the Income Statement are not reversed. Gains and losses on the disposal of a CGU or portion of a CGU include the carrying amount of goodwill relating to the CGU or portion of a CGU sold.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Internally-generated intangible assets – computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

* the technical feasibility of completing the intangible asset so that it will be available for use or sale;
* the intention to complete the intangible asset and use or sell it;
* the ability to use or sell the intangible asset;
* how the intangible asset will generate probable future economic benefits;
* the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
* the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the Income Statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The annual amortisation rate shown below is considered appropriate for each classification of intangible asset:

Internally Generated Software	33.0%

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 Income Statement on a straight-line basis over the period of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration provision

Restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The restoration costs are based on management's best estimate of the amount required to settle the obligation. Movements in the restoration provision are recognised in the Income Statement.

EMPLOYEE BENEFITS

i) Wages and salaries and annual leave liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and alternative days leave expected to be settled within 12 months of the reporting date are recognised in payables in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when it is probable that the liabilities will be settled.

ii) Termination leave

The liability for termination leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in New Zealand dollars, which is the Parent's functional and presentation currency.

Transactions and balances

Transactions denominated in foreign currency are converted to New Zealand dollars using the exchange rate at the date of the transaction.

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 Income Statement.

Financial instruments

Financial instruments carried on the Balance Sheet include cash and cash equivalents, trade and other receivables, amounts owing to or from subsidiaries, other financial assets, trade and other payables, Directors' fees payable, employee entitlements, provision for dividend, derivative instruments and borrowings.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

FINANCIAL ASSETS

Financial assets are recognised and derecognised on trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group only holds financial assets categorised as financial asset at FVTPL or as loans and receivables

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified in this category if acquired principally for selling in the short term. Derivatives are also classified as held for trading.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the Income Statement. The net gain or loss recognised incorporates any dividend or interest earned on the financial asset.

The only financial assets at FVTPL are derivatives held for trading (note 20). All other financial assets are classified as loans and receivables.

Loans and receivables

Trade receivables, other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL LIABILITIES

Financial liabilities are recognised and derecognised on trade date where the purchase or sale of a liablity is under a contract whose terms required delivery within the timeframe established by the market concerned.

Classfication

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Derivatives are also classified as held for trading.

A financial liability is classified in this category if it has been incurred principally for the purpose of repurchasing in the short term. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the Income Statement. The net gain or loss recognised incorporates any interest paid on the financial liability.

The only financial liabilities at FVTPL are derivatives (note 20). All other financial liabilities are at amortised cost.

Other financial liabilities

Other financial liabilities, including trade and other payables, and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised by applying the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Income Statement immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

STATEMENT OF CASH FLOWS

For the purpose of the Cash Flow Statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments with original maturities of three months or less, net of outstanding bank overdrafts. The following terms are used in the Statement of Cash Flows:

Operating activities: are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

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 include GST invoiced.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(i) Note 9: Employee Benefits – measurement of amounts recognised in respect of termination leave

(ii) Note 10: Provisions – measurement of restoration provisions

(iii) Note 14: Investment in Jointly Controlled Entities – measurement of the recoverable amount of the investment in jointly controlled entities

(iv) Note 26: Financial Instruments – valuation of financial instruments

(v) Note 5: Deferred Tax – deferred tax asset recognition

2 OPERATING REVENUE / EXPENDITURE	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Profit / (Loss) for the year has been arrived after charging/(crediting)				
Audit Fees	75	62	40	50
Loss on Disposal of Property, Plant and Equipment	7	-	7	-
Directors' Fees	185	197	185	197
Bad Debts Recovered	(17)	-	-	-
Software Development Expenditure	105	141	83	119
Donations	5	-	5	-
FX (gains)/losses	(72)	(40)	-	-
Fair Value (gains)/losses on Forward Exchange Contracts	17	(60)	17	(60)
Fair Value (gains)/losses on option	50	-	-	-

On 1 July 2008, the revenue and expenses related to Aviation Services were transferred to Metra Information Ltd from the Parent.

3 EMPLOYEE BENEFITS EXPENSE

	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Wages and Salaries	19,103	18,044	15,440	13,837
Termination Benefits & Defined Contribution Expense	145	58	145	58
Labour Capitalised	(2,291)	(2,339)	(2,291)	(2,339)
Contractors / Temporary Staff	580	380	325	213
Other Employee Benefits	477	553	441	418
TOTAL EMPLOYEE BENEFITS	**18,014**	**16,696**	**14,060**	**12,187**

4 FINANCE COSTS - NET

	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Interest Revenue				
Bank Deposits	11	31	11	28
IRD – Use of Money Interest	67	-	66	-
TOTAL FINANCE INCOME	**78**	**31**	**77**	**28**
Interest on Bank Overdrafts and Loans	447	382	403	362
TOTAL FINANCE COSTS	**447**	**382**	**403**	**362**
FINANCE COSTS – NET	**369**	**351**	**326**	**334**

5 TAXATION

	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Net Profit / (Loss) Before Taxation	4,742	4,415	(5,541)	2,516
Prima Facie Taxation Thereon at 30% (2008: 33%)	1,423	1,457	(1,662)	830
Non-deductible Legal Fees	8	13	7	3
Non-deductible Entertainment	8	10	8	8
Government Grant	22	-	22	-
Prior Period Adjustment	33	-	(222)	-
Effect of Changes in Tax Rates	-	42	-	2
TAXATION EXPENSE / (BENEFIT)	**1,494**	**1,522**	**(1,847)**	**843**
Prior Period Adjustment	33	-	(222)	-
Current Taxation	1,366	1,366	(1,720)	691
Deferred Taxation	95	156	95	152
TAXATION EXPENSE / (BENEFIT)	**1,494**	**1,522**	**(1,847)**	**843**

In May 2007 the New Zealand Government announced a reduction in the corporate tax rate from 33% to 30% effective from the 2008/09 income tax year.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

5 TAXATION (CONTINUED)	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Deferred Tax				
Deferred Tax Assets Arise from the Following:				
Temporary Differences				
Property, Plant and Equipment	(137)	(174)	(135)	(596)
Intangible Assets	(145)	(46)	(95)	(11)
Provisions and Other Liabilities	669	624	669	624
Doubtful Debts	22	5	-	-
	409	**409**	**439**	**17**
Deferred Taxation				
Opening Balance	409	657	17	703
On Profit / (Loss) for the year	(95)	(156)	(95)	(152)
Prior Period Adjustment	95	(50)	517	(532)
Effect of Changes in Tax Rates	-	(42)	-	(2)
CLOSING BALANCE	**409**	**409**	**439**	**17**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The Parent recognised a loss for the year ended 31 March 2009, however the Parent and its subsidiaries form part of a consolidated tax group and the Directors believe that it is probable that the Group will generate future taxable profits against which the temporary differences will be utilised.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Imputation Credit Account				
Imputation Credit Account 1 July	3,585	1,885	1,017	1,017
Income Taxation Paid during the Year (net of tax refunds)	243	1,700	-	-
Imputation Credits attached to Dividends Paid during the Year	(246)	-	-	-
IMPUTATION CREDIT ACCOUNT 30 JUNE	**3,582**	**3,585**	**1,017**	**1,017**
Imputation Credits Available Directly and Indirectly to Shareholders of the Parent Company, through:				
Parent Company	1,017	1,017		
Subsidiaries	2,565	2,568		
TOTAL	**3,582**	**3,585**		

6 ISSUED CAPITAL

	Group 2009	Group 2008	Parent 2009	Parent 2008
Authorised, Issued and Fully Paid Capital Consists of 5,000,000 Ordinary Shares	**5,000**	**5,000**	**5,000**	**5,000**

Issued shares have no par value.
Fully paid ordinary shares carry one vote per share and carry a right to dividends.

7 TRADE AND OTHER PAYABLES

	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Trade Payables	801	625	501	597
Other Payables	830	1,063	739	1,084
Accruals	1,401	1,735	694	1,119
Income in Advance	643	1,080	41	530
(i) Income in Advance – Government Grant	248	366	248	366
TOTAL TRADE AND OTHER PAYABLES	**3,923**	**4,869**	**2,223**	**3,696**

The average credit period on purchases is seven to 30 days.
The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(i) Government Grant
TBG (Technology for Business Growth) is a government-funded initiative (through Foundation for Research & Technology) to assist businesses to develop ideas for business growth. The Parent received a grant in 2006 to work on forecasting tools for Energy customers. The project was 50% funded and under NZ IAS 20 Government Grants, this revenue is recognised over the life of the asset.

8 TRADE AND OTHER RECEIVABLES

	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Trade Receivables	4,383	3,792	1,892	2,444
Allowance for Impairment	(74)	(16)	-	-
	4,309	**3,776**	**1,892**	**2,444**
Prepayments	476	567	412	505
Other	544	488	34	129
TOTAL TRADE AND OTHER RECEIVABLES	**5,329**	**4,831**	**2,338**	**3,078**

The average credit period on sales of goods and services is 30 days. No interest is charged on the trade receivables overdue. Overdue debts are reviewed on a case by case basis and provided for if the receivable is considered not recoverable. Historical experience is such that international customers pay on a 60-90-day term and default is minimal.

Before accepting a new customer, the Group requires a credit application to be completed and referees are contacted.

Included in the Group's trade receivable balance are debtors with a carrying amount of $122,209 (2008: $29,019) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of receivables is 40 days (2008: 37 days).

Included in the Parent's trade receivable balance are debtors with a carrying amount of $nil (2008: $3,870) which are past due at the reporting date for which the Parent has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Parent does not hold any collateral over these balances. The average age of receivables is 33 days (2008: 32 days).

Ageing Past Due Trade Receivables	Group 2009	Group 2008	Parent 2009	Parent 2008
60-90 days	85	19	-	2
90-120 days	37	26	-	2
TOTAL	**122**	**45**	-	**4**

Movement in the Allowance for Impairment	Group 2009	Group 2008	Parent 2009	Parent 2008
Balance at the Beginning of the Year	**(16)**	**(20)**	-	**(20)**
Impairment Losses Recognised on Receivables	(74)	-	-	-
Impairment Losses Reversed	16	4	-	20
BALANCE AT THE END OF THE YEAR	**(74)**	**(16)**	-	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $73,587 (2008: $16,141) for the Group and $nil (2008: $nil) for the Parent, relating to entities which have been considered doubtful.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate their fair value.

		Group 2009	Group 2008	Parent 2009	Parent 2008
9 EMPLOYEE BENEFITS		$000s	$000s	$000s	$000s
Annual Leave Entitlement		1,309	1,339	1,263	1,339
Termination Leave	(i)	255	277	255	277
TOTAL EMPLOYEE BENEFITS		**1,564**	**1,616**	**1,518**	**1,616**
(i) Termination Leave					
Opening Balance as at 1 July 2008		277	259	277	259
Additional Amounts Recognised		-	18	-	18
Reductions Arising from Payments/Other Sacrifices of Future Economic Benefits		(22)	-	(22)	-
CLOSING BALANCE AS AT 30 JUNE 2009		**255**	**277**	**255**	**277**

The liability for employee benefits represents annual leave and termination leave entitlements accrued. The termination leave accrual is an actuarial assessment of the accrued termination leave liabilities for current employees of the Parent. Only those employees with 10 year's service when the scheme closed are eligible for the benefit. Profit share was available to all employees up until December 2007; it was then included in employee salaries.

Termination leave has been calculated by the actuarial firm Aon NZ Ltd and has been calculated based on inter alia: Contractual Employee Entitlements, Projected Employee Salary Increases, Expected Resignation and Retirement Rates and Forecasted Market Discount Rates.

10 PROVISIONS

	Group 2009	Group 2008	Parent 2009	Parent 2008
Current				
Restoration Provision	441	333	441	333
TOTAL CURRENT PROVISIONS	**441**	**333**	**441**	**333**
Non-Current				
Restoration Provision	190	227	190	227
TOTAL NON-CURRENT PROVISIONS	**190**	**227**	**190**	**227**
Restoration Provision				
Opening Balance as at 1 July 2008	560	537	560	537
Additional Provisions Recognised	-	-	-	-
Change for Passage of Time	70	23	70	23
CLOSING BALANCE AS AT 30 JUNE 2009	**630**	**560**	**630**	**560**
TOTAL PROVISIONS	**630**	**560**	**630**	**560**

Restoration Provision

The Parent has a number of sites leased around the country for the purpose of housing weather stations or related equipment. A restoration provision has been calculated for those sites that contractually require the site to be restored to its original state on expiry of the licence to occupy. The restoration provision is an estimate of the cost (in today's dollars) of restoring current leased sites to their original state on termination of the lease agreement. This provision includes an estimaton for restoring Campbell Island. The Parent has used the 5-year government bond rate (4.61%) as the discount rate and assumed a 3% CPI increase on costs.

Contingent Liability

Several lease agreements are held that do not mention the requirement to restore the site on termination of the lease. Because we are not contractually obligated to remove the equipment and restore the site, we cannot be certain that a liability would arise therefore the estimated cost of restoring these sites has been excluded from the provision. 2009: $111,755 (2008: $108,500)

11 BORROWINGS		Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Unsecured					
Current					
Bank Loan		-	800	-	800
Non-Current					
Bank Loan		6000	4,000	6,000	4,000
TOTAL BORROWINGS		**6,000**	**4,800**	**6,000**	**4,800**
Disclosed in the Financial Statement as:					
Current Borrowings		-	800	-	800
Non-current Borrowings		6000	4,000	6,000	4,000
		6,000	**4,800**	**6,000**	**4,800**

Summary of Borrowing Arrangements:

On 30 June 1998, the Parent entered into a term loan agreement with the Westpac Banking Corporation. This agreement was extended on 30 June 2009 through to June 2012. The interest rates are fixed and due for renewal between 19 August 2009 and 1 June 2011. The Parent intends extending the loans on maturity. The average interest rate for the loans as at 30 June 2009 is 6.19% (2008: 8.58%).

These loans are subject to covenant clauses whereby the Parent is required to maintain a specified level of interest cover, leverage ratio and debt/equity ratio. As at 30 June 2009, all banking covenants had been complied with.

12 FINANCING FACILITIES

Westpac Money Market Facility	(i)				
Money Market – On Call Deposits		250	-	250	-
Money Market – On Call Advance		-	(1,000)	-	(1,000)
		250	**(1,000)**	**250**	**(1,000)**
Loans to Subsidiaries	(ii)				
Metra Information Ltd – intercompany		-	-	(8,740)	8
Metra Information (Australia) Ltd – intercompany		-	-	333	123
Metra Information Ltd – loan		-	-	-	800
	17	**-**	**-**	**(8,407)**	**931**

(i) Westpac Money Market Facility

The Parent has a multi-option credit line facility with Westpac to the value of $2,000,000. The term of this facility is to 31 December 2010 and the balance is on call. Interest is charged at the cash rate plus a corporate margin of 30 basis points with a line of credit charge of 0.05% per month on the commitment during that month.

(ii) Loans to/from Subsidiaries

Meteorological Service of New Zealand Ltd provides funding to Metra Information (Australia) Ltd via an intercompany account. This is used to fund monthly expenses and is reimbursed periodically throughout the year. Meteorological Service of New Zealand Ltd receives funding from its New Zealand subsidiary via an intercompany account. This is used to fund monthly expenses and is reimbursed periodcially throughout the year.

13 INVENTORIES

	Group 2009	Group 2008	Parent 2009	Parent 2008
Finished Goods at Cost	536	659	536	659
TOTAL INVENTORIES	**536**	**659**	**536**	**659**

The cost of inventories recognised as an expense during the year was $765,561 (2008: $708,785).

The cost of inventories recognised as an expense includes $nil (2008: $nil) in respect of write-downs of inventory to net realisable value, and has been reduced by $nil (2008: $nil) in respect of the reversal of such write-downs.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD | FOR THE YEAR ENDED 30 JUNE 2009

			Group 2009	Group 2008
14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES			$000s	$000s
Details of the Group's jointly controlled entities are as follows:				
Name of Jointly Controlled Entity	Weather Commerce Ltd	(i)		
Principal Activity	Tailor made on-line weather packages			
Place of Incorporation and Operation	England and Wales			
Ownership Interest	2009		50%	
	2008		50%	

(i) Weather Commerce Ltd

Pursuant to a shareholder agreement, the Group has the right to cast 50% of the votes at shareholder meetings of Weather Commerce Ltd, and all decisions require unanimous shareholder consent. The Group exercises joint control by virtue of its contractual right to equally govern the financial and operating policies of Weather Commerce Ltd so as to obtain equal benefits from its activities. The balance date for Weather Commerce Ltd is 30 June.

The Parent has provided no funding support to Weather Commerce Ltd during the year and all related party transactions are at arm's length.

The Group has the option to purchase the remaining 50% of the company in March 2011. Refer note 20 for valuation of the option.

	Group 2009 12mths	Group 2008 3mths
	$000s	$000s
Summarised financial information of the Group's jointly controlled entity is set out below:		
Total Assets	247	364
Total Liabilities	5	184
Net Assets	242	180
GROUP'S SHARE OF NET ASSETS	**121**	**90**
Total Revenue	824	196
Total Profit for the Period	19	13
GROUP'S SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITY	**10**	**7**
Movement in the carrying amount of the Group's investment in jointly controlled entity:		
Balance at Beginning of Year	**787**	**-**
New Investments (net of call option)	-	780
Disposals	-	-
Share of Profits of Jointly Controlled Entity	10	7
Dividends Received	(50)	-
BALANCE AT THE END OF THE YEAR	**747**	**787**

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

	Group 2009 $000s	Group 2008 $000s
Goodwill included in the carrying amount of the Group's investment in jointly controlled entity:		
Cost		
Balance at the Beginning of the Year	700	-
Additional Amounts Recognised from Business Combinations	-	700
BALANCE AT THE END OF THE YEAR	**700**	**700**

Impairment tests for goodwill

Goodwill is allocated to the Metra UK cash-generating unit (CGUs).

The recoverable amount of the Metra UK CGU has been determined based on a value-in-use calculation. This calculation used forecast cash flows to 2013 and a discount rate of 23%.

The recoverable amount of the Metra UK CGU exceeds its carrying amount therefore no impairment loss has been recognised.

15 SUBSIDIARIES

Details of the Group's subsidiaries at 30 June 2009 and 30 June 2008 are as follows:

Meteorological Service of New Zealand Ltd is incorporated in New Zealand and is the Parent entity of the Group. The Parent's investment in Metra Information Ltd comprises shares at cost. Metra Information Ltd, 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. Metra Information Ltd has an investment in Metra Information (Australia) Ltd which comprises shares at cost. Metra Information (Australia) Ltd, a company involved in the sales and marketing of weather and information presentation services, is a wholly-owned subsidiary incorporated in Australia with a 30 June balance date.

Names	Metra Information Ltd (MIL)	Metra Information (Australia) Ltd (MIAL)
Place of Incorporation and Operation	MIL – New Zealand	MIAL – Australia
Ownership Interests and Voting Rights	MIL – 100% (2008: 100%)	MIAL – 100% (2008: 100%)
Principal Activity	MIL – Weather and Information Presentation Services	MIAL – Marketing and Promotion of Weather and Information Presentation Services

16 BRANCHES

Details of the Group's branches at 30 June 2009 and 30 June 2008 are as follows:

Metra Information Ltd has a branch in the UK.

Names	Metra Information Ltd Branch (MILB)
Place of Incorporation and Operation	MILB – UK
Principal Activity	MILB – Sales and Marketing of Weather and Information Presentation Services

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

17 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Crown.

Equity Interests in Related Parties

Details of interests in subsidiaries and jointly controlled entities are disclosed in notes 14 and 15.

	Group 2009	Group 2008	Parent 2009	Parent 2008
	$000s	$000s	$000s	$000s
Transfers of Software Development				
Metra Information Ltd	478	679	478	679
Metra Information (Australia) Ltd	21	17	21	17
	499	**696**	**499**	**696**

The Parent develops computer software products, some of which were acquired by its subsidiaries, Metra Information Ltd and Metra Information (Australia) Ltd. These acquisitions were made on normal commercial terms.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Settlement of Liabilities				
Metra Information Ltd	-	-	(4,549)	4,300
Metra Information (Australia) Ltd	-	-	115	86
Weather Commerce Ltd	73	-	-	-
	73	**-**	**(4,434)**	**4,386**

During the year the Parent was reimbursed for expenses it incurred on behalf of Metra Information (Australia) Ltd. Due to internal restructuring in the previous two years, Metra Information Ltd now provides regular funding assistance to its parent company which is reimbursed on a regular basis.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Outstanding Receivable/(Payable) at Year End				
Metra Information Ltd	-	-	(8,740)	(13)
Metra Information (Australia) Ltd	-	-	333	144
Weather Commerce Ltd	-	-	-	-
	-	**-**	**(8,407)**	**131**

A dividend was paid by Weather Commerce Ltd to Metra Information Ltd in June 2009.
Cash paid GBP 20,000 – $50,488.

Compensation of Key Management Personnel

Details of remuneration paid to Directors is shown in note 2.
Key management personnel are paid in their capacity as employees and receive salary and bonus.

	Group 2009	Group 2008	Parent 2009	Parent 2008
Total Salaries	1,935	1,516	1,547	1,516
Total Profit Share	123	65	102	65

Other Related Parties

Relationship with the Crown

Meteorological Service of New Zealand Ltd 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 Ltd.

Meteorological Service of New Zealand Ltd 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.

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

18 OTHER INTANGIBLE ASSETS

		Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Internally Developed Software					
Cost					
Balance at the Beginning of the Year		10,305	8,830	6,732	6,796
Additions – External Software Purchases		-	-	-	-
Additions – Internal Software Development		1,543	1,779	870	1,002
Intercompany Transfer	(i)	-	-	(1,055)	(814)
Transfers from Computer Hardware & Software Equipment		(43)	(247)	-	(195)
Disposals		-	(57)	-	(57)
BALANCE AT THE END OF THE YEAR		**11,805**	**10,305**	**6,547**	**6,732**
Accumulated Amortisation and Impairment Losses					
Balance at the Beginning of the Year		(7,680)	(6,263)	(5,131)	(4,947)
Amortisation Expense – External Software		-	-	-	-
Amortisation Expense – Internal Software Development		(1,691)	(1,499)	(1,013)	(880)
Disposals		-	58	-	58
Intercompany Transfer	(i)	-	-	1,033	661
Transfers from Computer Hardware & Software Equipment		(33)	24	10	(23)
BALANCE AT THE END OF THE YEAR		**(9,404)**	**(7,680)**	**(5,101)**	**(5,131)**
CARRYING AMOUNT		**2,401**	**2,625**	**1,446**	**1,601**

The amortisation expense has been included in the line item ‘depreciation and amortisation expense’ in the Income Statement.

(i) On 1 July 2008, Aviation Services was transferred to Metra Information Ltd. Assets held in this area were transferred from Meteorological Service of New Zealand Ltd to Metra Information Services Ltd at net book value.

19 PROPERTY, PLANT & EQUIPMENT

	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Land				
Cost	118	118	118	118
CARRYING AMOUNT	**118**	**118**	**118**	**118**
Opening Carrying Amount	118	118	118	118
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment Losses	-	-	-	-
CLOSING CARRYING AMOUNT	**118**	**118**	**118**	**118**
Land – Leasehold				
Cost	447	447	447	447
Accumulated Depreciation and Impairment	(376)	(355)	(376)	(355)
CARRYING AMOUNT	**71**	**92**	**71**	**92**
Opening Carrying Amount	92	113	92	113
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment Losses	-	-	-	-
Depreciation	(21)	(21)	(21)	(21)
CLOSING CARRYING AMOUNT	**71**	**92**	**71**	**92**

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

		Group 2009	Group 2008	Parent 2009	Parent 2008
19 PROPERTY, PLANT & EQUIPMENT (CONTINUED)		$000s	$000s	$000s	$000s
Buildings					
Cost		682	844	682	844
Accumulated Depreciation and Impairment		(176)	(160)	(176)	(160)
CARRYING AMOUNT		**506**	**684**	**506**	**684**
Opening Carrying Amount		684	528	684	528
Additions		12	174	12	174
Disposals		-	-	-	-
Reclass Between Asset Category		(173)	-	(173)	-
Impairment Losses		-	-	-	-
Depreciation		(17)	(18)	(17)	(18)
CLOSING CARRYING AMOUNT		**506**	**684**	**506**	**684**
Buildings on Leasehold Land					
Cost		3,264	1,822	3,213	1,804
Accumulated Depreciation and Impairment		(1,347)	(648)	(1,322)	(643)
CARRYING AMOUNT		**1,917**	**1,174**	**1,891**	**1,161**
Opening Carrying Amount		1,174	981	1,161	981
Additions		16	235	-	235
Disposals		-	-	-	-
Impairment Losses		-	-	-	-
Reclass Between Asset Category		907	-	907	-
Intercompany Transfer	(i)	-	-	-	(13)
Depreciation		(180)	(42)	(177)	(42)
CLOSING CARRYING VALUE		**1,917**	**1,174**	**1,891**	**1,161**
Computer Hardware & Software Equipment					
Cost		11,846	12,549	10,788	11,057
Accumulated Depreciation and Impairment		(9,620)	(10,098)	(8,716)	(8,941)
CARRYING VALUE		**2,226**	**2,451**	**2,072**	**2,116**
Opening Carrying Value		2,451	1,411	2,116	1,282
Additions		1,158	1,888	1,137	1,654
Disposals		(5)	(10)	(5)	(4)
Reclass Between Asset Category		(66)	-	21	-
Intercompany Transfer	(i)	-	-	(32)	(127)
Transferred to Intangibles		-	223	-	213
Depreciation		(1,312)	(1,061)	(1,165)	(902)
CLOSING CARRYING VALUE		**2,226**	**2,451**	**2,072**	**2,116**

19 PROPERTY, PLANT & EQUIPMENT (CONTINUED)		Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Meteorological Equipment					
Cost		10,070	8,702	9,911	8,536
Accumulated Depreciation and Impairment		(6,895)	(6,867)	(6,871)	(6,859)
CARRYING VALUE		**3,175**	**1,835**	**3,040**	**1,677**
Opening Carrying Value		1,835	1,530	1,677	1,530
Additions		1,734	553	1,734	421
Disposals		-	-	-	-
Reclass Between Asset Category		(91)	-	(91)	-
Intercompany Transfer	(i)	-	-	6	(30)
Depreciation		(303)	(248)	(286)	(244)
CLOSING CARRYING VALUE		**3,175**	**1,835**	**3,040**	**1,677**
Motor Vehicles					
Cost		260	250	260	250
Accumulated Depreciation and Impairment		(179)	(170)	(179)	(170)
CARRYING VALUE		**81**	**80**	**81**	**80**
Opening Carrying Value		80	87	80	87
Additions		37	33	37	33
Disposals		-	-	-	-
Impairment Losses		-	-	-	-
Depreciation		(36)	(40)	(36)	(40)
CLOSING CARRYING VALUE		**81**	**80**	**81**	**80**
Office Equipment					
Cost		415	276	383	216
Accumulated Depreciation and Impairment		(364)	(176)	(340)	(136)
CARRYING VALUE		**51**	**100**	**43**	**80**
Opening Book Value		100	69	80	57
Additions		9	57	9	57
Disposals		(3)	-	(3)	-
Reclass Between Asset Category		(25)	-	(20)	-
Intercompany Transfer	(i)	-	-	3	(14)
Depreciation		(30)	(26)	(26)	(20)
CLOSING CARRYING VALUE		**51**	**100**	**43**	**80**

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

		Group 2009	Group 2008	Parent 2009	Parent 2008
19 PROPERTY, PLANT & EQUIPMENT (CONTINUED)		$000s	$000s	$000s	$000s
Furniture and Fittings					
Cost		690	783	617	680
Accumulated Depreciation and Impairment		(623)	(663)	(569)	(591)
CARRYING VALUE		**67**	**120**	**48**	**89**
Opening Carrying Value		120	138	89	128
Additions		5	30	1	19
Disposals		-	-	-	-
Reclass Between Asset Category		(20)	-	(21)	-
Intercompany Transfer	(i)	-	-	10	(20)
Depreciation		(38)	(48)	(31)	(38)
CLOSING CARRYING VALUE		**67**	**120**	**48**	**89**
Plant and Equipment					
Cost		717	1,466	670	1,446
Accumulated Depreciation and Impairment		(279)	(391)	(254)	(378)
CARRYING VALUE		**438**	**1,075**	**416**	**1,068**
Opening Carrying Amount		1,075	146	1,068	145
Additions		39	968	15	968
Disposals		-	-	-	-
Reclass Between Asset Category		(636)	-	(628)	-
Intercompany Transfer	(i)	-	-	-	(4)
Depreciation		(40)	(39)	(39)	(41)
CLOSING CARRYING AMOUNT		**438**	**1,075**	**416**	**1,068**
Capital Work in Progress					
Internally Developed Software		1,347	1,190	1,347	1,190
External Purchased Software and Equipment		3,204	2,157	3,015	1,930
TOTAL CARRYING AMOUNT		**13,201**	**11,076**	**12,648**	**10,285**

(i) On 1 July 2008, Aviation Services was transferred to Metra Information Ltd. Assets held in this area were transferred from Meteorological Service of New Zealand Ltd to Metra Information Services Ltd at net book value.

Capital work in progress relates to ongoing projects that were not completed and capitalised at year end.
No impairment issues have been identified.

20 DERIVATIVE INSTRUMENTS

		Group 2009	Group 2008	Parent 2009	Parent 2008
Current					
Financial Assets Carried at FVTPL					
FORWARD FOREIGN EXCHANGE CONTRACTS		**43**	**53**	**43**	**53**
Non-current					
Financial Assets Carried at FVTPL					
Forward Foreign Exchange Contracts		-	7	-	7
Call Option – Weather Commerce Ltd	(i)	56	106	-	-
		56	**113**	**-**	**7**

(i) Refer valuation assumptions in note 26.

21 RETAINED EARNINGS / ACCUMULATED LOSSES		Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Balance at the Beginning of the Year		3,609	716	1,359	(314)
Net Profit / (Loss) for the Year		3,248	2,893	(3,694)	1,673
Payment of Dividends	22	(500)	-	(500)	-
BALANCE AT THE END OF THE YEAR		**6,357**	**3,609**	**(2,835)**	**1,359**

22 DIVIDENDS

Interim Dividends Paid				
Interim Dividends Relating to Current Year	500	-	500	-
	500	**-**	**500**	**-**

As at balance date, there has been no provision made for a final dividend.
The Group's dividend policy is 60% of net profit after tax.

23 RECONCILIATION OF NET SURPLUS WITH CASH FLOW FROM OPERATING ACTIVITIES

Net Surplus for the Year	**3,248**	**2,893**	**(3,694)**	**1,673**
Non-cash / Non-operating Items				
Depreciation and Amortisation	3,667	3,046	2,812	2,240
Loss on Sale of Fixed Assets	7	-	7	-
Change in Value of Option	50	-	-	-
Share of Profits of Associates	(10)	7	-	-
Labour Capitalised	(2,291)	(2,340)	(2,291)	(2,339)
Increase/(Decrease) in Deferred Tax	-	196	(421)	689
TOTAL NON-CASH ITEMS	**1,423**	**909**	**107**	**590**
Movements in Working Capital				
(Increase)/Decrease in Receivables	(481)	(1,059)	757	340
(Increase)/Decrease in Intercompany	-	-	8,538	-
(Decrease)/Increase in Accounts Payable and Accruals	(951)	1,140	(1,524)	578
Decrease/(Increase) in Income Taxation Receivable	1,113	(484)	(1,705)	(1,545)
(Increase)/Decrease in Inventories	123	(202)	123	(202)
TOTAL MOVEMENT IN WORKING CAPITAL	**(196)**	**(605)**	**6,189**	**(829)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**4,475**	**3,197**	**2,602**	**1,434**

A change was made to the cash flow calculation this year. Labour capitalised is now deducted from the Purchase of Property Plant and Equipment as this is a non-cash addition. The actual cash spent is now included in Payments to Employees. Prior year comparatives have been updated to reflect this.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

24 OPERATING LEASE EXPENSES

The Group as lessee:

Leasing Arrangements:
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.

	Group 2009	Group 2008	Parent 2009	Parent 2008
	$000s	$000s	$000s	$000s
Non-cancellable Operating Lease Commitments:				
Not later than one year	165	149	165	149
Later than one year and not later than five years	328	307	328	307
Later than five years	297	291	297	291
	790	**747**	**790**	**747**
CURRENT YEAR EXPENSE	**748**	**591**	**609**	**513**

25 CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and in banks, bank deposits on call, net of outstanding bank overdrafts and advances. Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement can be reconciled to the related items in the Balance Sheet as follows:

	Group 2009	Group 2008	Parent 2009	Parent 2008
Cash and Bank Balances	818	127	67	-
Bank Overdraft / Advance	-	(1,000)	-	(1,048)
Bank Deposits	250	-	250	-
	1,068	**(873)**	**317**	**(1,048)**

The Parent has an overdraft facility with Westpac to the value of $50,000.

The Parent provides support for meteorological services in the Pacific Islands and Africa. In this role, the Parent acts as an intermediary between the 'Funder' and the 'Recipient or Client'. The role encompasses the provision of project management expertise, sourcing equipment, calibration and testing and site installation.

Funding is received from international sources to fund these projects. The cash held at balance date is recorded as a liability.

	Group 2009	Group 2008	Parent 2009	Parent 2008
FUNDS HELD AT BALANCE DATE	**541**	**942**	**541**	**942**

26 FINANCIAL INSTRUMENTS

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital and retained earnings as disclosed in notes 6 and 21 respectively. Debt covenants are reviewed by management and reported to the Board on a monthly basis.

26 FINANCIAL INSTRUMENTS (CONTINUED)	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Categories of Financial Instruments				
Assets				
Loans and Receivables				
Cash and Bank Balances	818	127	67	(48)
Trade and Other Receivables	4,853	4,264	1,926	2,573
Amounts Owing from Subsidiary	-	-	-	931
Bank Deposits	250	-	250	-
Financial Assets at Fair Value through Profit or Loss				
Forward Foreign Exchange Contracts	43	60	43	60
Call Option – Weather Commerce Ltd	56	106	-	-
TOTAL FINANCIAL ASSETS	**6,020**	**4,557**	**2,286**	**3,516**
Liabilities				
Financial Liabilities at Amortised Cost				
Trade and Other Payables	3,923	4,869	2,223	3,696
Directors' Fees Payable	6	30	6	30
Amounts Owing to Subsidiary	-	-	8,407	-
On-call Advance	-	1,000	-	1,000
Borrowings	6,000	4,800	6,000	4,800
TOTAL FINANCIAL LIABILITIES	**9,929**	**10,699**	**16,636**	**9,526**

Financial Risk Management Objectives

The Group seeks to minimise the effects of foreign currency exchange risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign currency exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis.
The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market Risk

There has been no change during the year to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Notes to the Financial Statements

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

	Liabilities		Assets	
	2009	2008	2009	2008
26 FINANCIAL INSTRUMENTS (CONTINUED)	$000s	$000s	$000s	$000s

Foreign Currency Risk Management (continued)

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Group				
US Dollars	66	-	166	60
British Pounds	70	75	178	258
Euro	-	-	48	119
Australian Dollars	13	22	375	191
Parent				
US Dollars	-	-	-	-
British Pounds	-	-	-	-
Euro	-	-	-	-
Australian Dollars	-	-	-	-

Foreign Currency Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to exchange rate at the balance sheet date. This analysis is based on the closing foreign currency denominated monetary assets and monetary liabilities at the reporting date.

If exchange rates had been 10% higher and all other variables were held constant, the Group's position would have been:

Group				
US Dollars	60	-	151	55
British Pounds	63	79	162	235
Euro	-	-	44	108
Australian Dollars	12	20	341	174

Profit for the year ended 30 June 2009 would decrease by $55,000 (2008: $58,000).

If exchange rates had been 10% lower and all other variables were held constant, the Group's position would have been:

Group				
US Dollars	73	-	184	66
British Pounds	77	83	198	284
Euro	-	-	54	131
Australian Dollars	14	24	417	211

Profit for the year ended 30 June 2009 would increase by $71,000 (2008: $55,000).

26 FINANCIAL INSTRUMENTS (CONTINUED)

		Group	Parent
Forward Foreign Exchange Contracts			
Outstanding Contracts			
Buy/Sell AUD			
Average Exchange Rate	2009	0.8052	0.8502
	2008	0.8115	0.8115
Foreign Currency (FC '000)	2009	A$219,766	A$219,766
	2008	A$742,736	A$742,736
Contract Value (NZD '000)	2009	$272,933	$272,933
	2008	$915,969	$915,969
Fair Value	2009	$272,532	$272,532
	2008	$939,295	$939,295
Buy/Sell EUR			
Average Exchange Rate	2009	0.4715	0.4715
	2008	0.4778	0.4778
Foreign Currency (FC '000)	2009	€ 882,805	€ 882,805
	2008	€ 1,299,750	€ 1,299,750
Contract Value (NZD '000)	2009	$1,871,318	$1,871,318
	2008	$2,723,871	$2,723,871
Fair Value	2009	$1,914,539	$1,914,539
	2008	$2,769,142	$2,769,142

If exchange rates had been 50 basis points higher and all other variables were held constant, the Group's:
* profit for the year ended 30 June 2009 would increase by $21,312 (2008: $33,868).

If exchange rates had been 50 basis points lower and all other variables were held constant, the Group's:
* profit for the year ended 30 June 2009 would decrease by $21,753 (2008:$34,536).

Equity is impacted to the same extent as profit.

If exchange rates had been 50 basis points higher and all other variables were held constant, the Parent's:
* profit for the year ended 30 June 2009 would increase by $21,312 (2008: $33,868) .

If exchange rates had been 50 basis points lower and all other variables were held constant, the Parent's:
* profit for the year ended 30 June 2009 would decrease by $21,753 (2008: $34,536).

Equity is impacted to the same extent as profit.

26 FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk Management

The Parent and Group are exposed to interest rate risk as entities in the Group borrow funds at fixed interest rates. The risk is managed by the Group by maintaining an appropriate level of debt.

The Parent and Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The Company's sensitivity to debt interest rates has remained consistent with the previous year given borrowings have fixed interest rates.

This analysis is assuming the amount of deposits held at the balance sheet date was outstanding for the whole year.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's:
* profit for the year ended 30 June 2009 would increase by $1,250 (2008: nil).

If interest rates had been 50 basis points lower and all other variables were held constant, the Group's:
* profit for the year ended 30 June 2009 would decrease by $1,250 (2008: nil).

Equity is impacted to the same extent as profit.

If interest rates had been 50 basis points higher and all other variables were held constant, the Parent's:
* profit for the year ended 30 June 2009 would increase by $1,250 (2008: nil).

If interest rates had been 50 basis points lower and all other variables were held constant, the Parent's:
* profit for the year ended 30 June 2009 would decrease by $1,250 (2008: nil).

Equity is impacted to the same extent as profit.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments which potentially subject the Group to credit risk principally consist of bank transactions and deposits, accounts receivable and sundry accounts receivable. The Group 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.

The Group does not require collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 12 is a listing of additional undrawn facilities that the Group has at is disposal to further reduce liquidity risk.

Liquditity and Interest Risk Tables

The following tables detail the Parent and Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows.

26 FINANCIAL INSTRUMENTS (CONTINUED)	Group 2009 $000s	Group 2008 $000s	Parent 2009 $000s	Parent 2008 $000s
Fixed Interest Rate Instruments				
Weighted Average Effective Interest Rate	6.18%	8.58%	6.18%	7.48%
All loans are interest only and are due to mature on 30 June 2012.				
Current fixed interest expiry dates are as follows:				
19 August 2009	1,000			
29 September 2009	1,000			
21 December 2009	1,000			
30 June 2010	1,000			
29 December 2010	1,000			
1 June 2011	1,000			
	6,000			

The Group has access to financing facilities, the total unused amount of which is nil at the balance sheet date.
The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.
The Group expects to maintain the current debt to equity ratio, within the Group's covenant requirement of greater than 30%.

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

* the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
* the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
* the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
* the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Derivatives

Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Valuation of Weather Commerce Ltd Option

The option to purchase the remaining 50% of the share of Weather Commerce Ltd has been valued using the Black Scholes Merton option pricing model with the following input assumptions:

Grant date: 31 March 2008
Value date: 30 June 2009
Expiry date: 31 March 2011
Dividend yield: 25%
Volatility range: 25 - 35%
Risk free rate: 2.92%

The option value of GBP 21,490 has been translated at value date to New Zealand dollars using a foreign currency exchange rate of NZD:GBP 0.3871.

Other Items

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

27 CAPITAL COMMITMENTS

Commitments for the acquisition of property, plant and equipment	2,006	902	2,006	902

Auditor's Report

TO THE READERS OF METEOROLOGICAL SERVICE OF NEW ZEALAND LTD AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers

113-119 The Terrace
PO Box 243
Wellington 6140
New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

The Auditor-General is the auditor of Meteorological Service of New Zealand Ltd (the Company) and the Group comprising the Company and its subsidiaries. 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, for the year ended 30 June 2009.

UNQUALIFIED OPINION

In our opinion:

* The financial statements of the Company and Group on pages 20 to 49:
    * comply with generally accepted accounting practice in New Zealand; and
    * comply with International Financial Reporting Standards; and
    * give a true and fair view of:
        * the Company and Group's financial position as at 30 June 2009; and
        * the results of operations and cash flows for the year ended on that date.
* Based on our examination the Company kept proper accounting records.

The audit was completed on 2 September 2009, and is the date at which our opinion is expressed.

The basis of our 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 the 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.

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 our opinion above.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE AUDITOR

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 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 arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

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 or Group.

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

PricewaterhouseCoopers
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 2009 included on the Company's website. The Board of Directors is responsible for the maintenance and integrity of the MetService website.

We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. 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 2 September 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Key Performance Indicators

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD I FOR THE YEAR ENDED 30 JUNE 2009

	Statement of Corporate Intent Target	Actual 2009	Actual 2008
Net Surplus Attributable to Shareholders	$3,279,000	$3,248,000	$2,893,000
Return on Equity (NPAT / Average Equity)	35.9%	32.5%	45.3%
EBIT: Total Tangible Assets	22.2%	23.9%	22.6%
Current Ratio	79:1	1.12:1	80:1
Equity Ratio	40.9%	47.7%	40.1%
Net Surplus Attributable to Shareholders: Total Sales	8.8%	8.8%	8.3%
Accounting Value of Crown's Investment	$9,939,000	$11,357,000	$8,609,026
Probability of Detection (POD)	**Minimum**		
Heavy Rain	75%	92%	95%
Heavy Snow	75%	91%	87%
Severe Gales	75%	97%	94%
False Alarm Ratio (FAR)	**Maximum**		
Heavy Rain	40%	12%	27%
Heavy Snow	40%	25%	29%
Severe Gales	40%	20%	20%

Quality Certification

We retained full ISO 9001: 2000 re-certification and are happy to record that the quality system auditors found us fully compliant. We also retained our Civil Aviation Rule Part 174 certification again receiving re-certification with a high standard against the measurement criteria.

POD: Probability of Detection measures the proportion of 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.

COMPANY DIRECTORY

DIRECTORS

Dr Francis Small (Chairman)
Resigned 30 Apr 09
Sarah Astor (Chairman)
Polly Schaverien (Deputy Chair)
David Houldsworth
Gregory Whitau
Joanne Keestra
James Koh

REGISTERED OFFICE

Level 2
30 Salamanca Road
PO Box 722
Wellington 6140
New Zealand
Telephone +64-4-470 0700
Facismile +64-4-473 5231

EXECUTIVE

Chief Executive
Paul Reid
paul.reid@metservice.com

GM, Science R&D
Neil Gordon
neil.gordon@metservice.com

GM, Europe & Middle East
Will Owen
will.owen@metra-info.com

GM, Sales and
Client Management
Stephen Harris
stephen.harris@metservice.com

GM, Human Resources
Colin Baruch
colin.baruch@metservice.com

GM, Marketing
and Communications
Mark Ottaway
mark.ottaway@metservice.com

Finance Manager
Jodi Taylor
jodi.taylor@metservice.com

Chief, Information Services
Russell Turner
russell.turner@metservice.com

GM, National Weather Service
Rod Stainer
rod.stainer@metservice.com

GM, Corporate Strategy
Norm Henry
norm.henry@metservice.com

GM, Australia & Asia
Tom Sutherland
tom.sutherland@metra-info.com

BANKER

Westpac Banking Corporation
318 Lambton Quay
PO Box 1298
Wellington 6140
New Zealand

AUDITOR

Karen Shires with the
assistance of:
PricewaterhouseCoopers
113 - 119 The Terrace
PO Box 243
Wellington 6140
New Zealand

On behalf of:
Office of the Auditor-General
48 Mulgrave Street
PO Box 3928
Wellington 6140
New Zealand

DESIGN

Moxie Design Group Ltd

PHOTOGRAPHY

MetService Board of Directors,
Wellington Executive Team
and office location images
by Nicole Freeman

PRINT

Service Printers Ltd
Printed on Splendorgel Digital,
an FSC Mixed Source Certified
paper, which ensures that all
virgin pulp is derived from
well-managed forests. It is
elemental chlorine-free
bleached and is manufactured
by an ISO 14001-certified mill.

Corporate Office
30 Salamanca Road, Wellington 6012
PO Box 722, Wellington 6140
New Zealand
Phone +64-4-4700 700
www.metservice.com
www.metra-info.com