Pietari Inkinen Music Director
New Zealand Symphony Orchestra
Te Tira Pūoro o Aotearoa

ANNUAL REPORT 2012

FOR THE YEAR ENDED
31 DECEMBER 2012

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*Current musicians with the NZSO.
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Annual Report

The Board have pleasure in presenting the Annual Report for the New Zealand Symphony Orchestra for the year ended 31 December 2012.

Donald Best
Board Chair
28 February 2013

Roger Taylor
Board Member,
Chair of Audit Committee
28 February 2013

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World-class musical experiences that inspire all New Zealanders

NZSO Outcomes

NZSO Impact Indicators

QUALITY
(Preserve & Engage)

√ **New Zealanders inspired by high quality symphonic music**

- Audience surveys rate NZSO performances as high quality
- Reviews of recordings rate NZSO performances highly

(Statement of Service Performance on pages 37-41)

COVERAGE
(Engage)

√ **New Zealanders have ready access to symphonic music**

- Attendances for NZSO live performances continue to expand
- NZSO performances engage with audiences from more communities

(Statement of Service Performance on pages 37-41)

DEVELOPMENT
(Create & Engage)

√ **New Zealanders create new symphonic music**

- New New Zealand works are created and performed
- New New Zealand student compositions are created and workshopped

(Statement of Service Performance on pages 37-41)

NZSO Outputs *Orchestral Services*

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NZSO Values

We value excellent engagement. We value creative excellence. We value excellent relationships.

Organisational Health & Capability

Targets

NZSO players perform at outstanding levels

NZSO operating income is sufficient to deliver a full calendar of quality artistic programmes

NZSO has a strong, positive image with stakeholders

New Zealand Symphony Orchestra: Vision & Mission

The Vision

Providing world class musical experiences that inspire all New Zealanders.

achieved by

The Mission

Deepening and expanding musical connections and engagement with our communities.

through

A national fulltime full size symphony orchestra

which
Performs to an international standard

is
Excellent in performance

has
Relevant and engaging programming,
Reaches large and diverse audiences

and asserts
Musical and artistic leadership.

A symphony orchestra which has
Best practice operations,
A shared and productive organisational culture,
Sustainable management of all resources

and
Excellent systems and processes.

New Zealand Symphony Orchestra: Values

WHAT WE DO	We value excellent engagement.	We identify strongly with one another and with New Zealanders. We ensure that our work is relevant to our audiences. We communicate openly and honestly with one another and with New Zealanders.
HOW WE DO IT	We value creative excellence.	We are passionate about our music and strive to share it widely. We are innovative and creative in all aspects of our activities. We are inspired to be excellent in all our performances.
HOW WE BEHAVE	We value excellent relationships.	We always act with fairness, honesty and transparency. We trust, respect, acknowledge and support each other. We always act with integrity.

FUNCTIONS OF THE ORCHESTRA

The functions of the orchestra are outlined in Section 9 of the *New Zealand Symphony Orchestra Act 2004*, as follows:

- to ensure that the orchestra presents a broad repertoire of orchestral performance including New Zealand works and recent works
- to encourage the development of New Zealand musicians
- to encourage the development of New Zealanders' knowledge and appreciation of orchestral music
- to develop and expand the audience of the orchestra on a national basis
- to provide a touring orchestra (which may also include international performances)
- to carry out any other functions consistent with its principal objectives, as agreed to by the Minister after consultation with the orchestra
- to co-operate with other similar institutions and organisations having objectives similar to those of the orchestra.

OBJECTIVES OF THE ORCHESTRA

The objectives of the orchestra are outlined in Section 8 of the *New Zealand Symphony Orchestra Act 2004*, as follows:

- to provide the public of New Zealand with live and recorded performances of symphonic music performed to an international standard:
- to provide an orchestra that—

  (i) is highly skilled and artistically imaginative; and
  (ii) has strong community support:
- to be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment:
- to promote and encourage New Zealand musical composition and composers:
- to provide performance opportunities for New Zealand musicians, whether as members of the orchestra or as soloists.

Chair's Preface

2012 has been a rewarding year for the NZSO. It featured outstanding concerts with a wide range of repertoire and local and international artists of the highest calibre.

The 2012 season was crowned by the magnificent performances of Wagner's *Die Walküre (The Valkyrie)* under the superlative direction of our Music Director Pietari Inkinen. This was a great achievement for the Orchestra and an historic landmark in its artistic development. It is testimony to the skill and dedication of our musicians and a tribute to the leadership of our concertmaster Vesa-Matti Leppänen and Section Principals in realising our vision to provide world class musical experiences that inspire all New Zealanders. I would like to thank and congratulate all those in the NZSO who worked tirelessly to ensure a successful year of music making of the highest order.

Outside the concert hall, 2012 was a year with its own special challenges. A major challenge has been the New Zealand Professional Orchestra Sector Review. Preparation of submissions to the Review by the Board and the Players took considerable amounts of time and resource. The ongoing uncertainty has been unsettling for musicians and staff alike and has impacted in several areas including fundraising and sponsorship generation and renewal and long term planning.

Nevertheless, the NZSO has welcomed the Review as an important opportunity to examine the Professional Orchestral Sector currently operating in New Zealand with a view to clarifying the role of the various orchestras into the future. The review is timely given that since the creation of the NZSO some 66 years ago, the orchestral sector has undergone considerable evolution and development.

In our submission to the Review we noted the importance of having a full time international standard orchestra such as the NZSO for all New Zealanders to enjoy. This is a Review outcome identified as a success factor in the Discussion Paper. New Zealand has such an orchestra in the NZSO which fulfils this role with distinction. It has achieved this status as a result of decades of nurture and investment by the people of New Zealand.

The 2012 season was crowned by the magnificent performances of Wagner's *Die Walküre*

Our submission further noted that there is considerable scope for orchestras in New Zealand to work more closely together and outlined options for ways in which this might be achieved. These include joint planning of repertoire to give a full range of music experiences to audiences across the country and coordination of community and education activities to maximise the benefits to be extracted from scarce funds.

It is also clear that there is an opportunity for the NZSO as a flagship cultural organisation to provide more leadership and support to New Zealand's orchestral sector. In our submission we looked at the opportunities for this to be promoted and strengthened.

I am pleased to report that the Review which has just been released confirms the NZSO's role as New Zealand's national orchestra, that it will continue as a Crown Entity owned by the people of New Zealand, and that its legislative objectives to deliver symphonic music performed to an international standard to audiences across the nation, have been re-affirmed. We look forward to working with all parties to implement the recommendations of the Review.

A second challenge has been to fulfil the Functions and Objectives of the New Zealand Symphony Orchestra Act (2004) to the greatest possible extent in a situation of fixed funding for five years and rising costs beyond our control. Considerable effort has been devoted to the generation of increased revenue from non-government sources, increased operational efficiency and cost containment. This has enabled the NZSO to improve its financial performance by $582,000 for the year against the Statement of Intent budget.

A third challenge has been the sponsorship and fundraising market which continued to be tight over the year with companies retrenching on non-core expenditure in a difficult economic environment. The NZSO was able to meet budgeted income from these sources for the year but will face increased pressure in this area over the medium term. Work is underway to further expand and build development capability to better manage the challenge of increasing non-government revenue from both these and other sources.

The contribution of our sponsors is critical to our ability to present attractive and exciting programmes to audiences across New Zealand. Principal sponsors Audi, The Radio Network and TV33 along with Pub Charity were our National Tour Partners during the year supporting the tours of our programmes *La Mer* and *Firebird, Mahler 7 / Beethoven 7, Chinese New Year* and *For the Fallen.*

I am also delighted to report that during 2012 the Wellington City Council renewed its considerable support of the NZSO for a further three years. As a Special Funding Agency the WCC provides both a cash contribution and a significant venue subsidy to the Orchestra.

Circle Sponsors ANZ Private, Ryman Healthcare and the New Zealand Listener provided valuable support to our *Carmen Suite, Spellbound* and *Cathedral of Sound* tours while Minter Ellison Rudd Watts supported the *Alpine Symphony* performances. The HRL Morrison Music Trust, in memory of the late Lloyd Morrison, sponsored the Orchestra's ground breaking performances of *Die Walküre.* These performances also enjoyed support from The Wagner New Zealand Foundation and the Wagner Society of New Zealand.

The contribution of our sponsors is critical to our ability to present attractive and exciting programmes

Sponsors and supporters backed our work in the community, in education and with young people. The Wellington Community Trust assisted our Wellington Youth Orchestras programme and *Close Encounters* concerts. Denis and Verna Adam through the Adam Foundation, a longstanding contributor to the NZSO National Youth Orchestra, again ensured that these young musicians were able to enjoy the substantial benefits and development opportunities that come through membership of this orchestra.

We also acknowledge the ongoing contribution of The Todd Corporation to the NZSO Todd Corporation Young Composers Awards which each year provides opportunities for young composers to create symphonic works and hear them in performance. The development of orchestral musicians is well supported each year by scholarships and funding of professional development through the Mary Fitzwilliam Award, The FAME Trust and the June Commons Scholarship.

The Intercontinental Hotels Group through Crowne Plaza Hotels is our touring accommodation partner and the NZSO is further supported by a wide range of businesses through supply arrangements and associated sponsorships. These are vital in ensuring that we extract the greatest value we can from our funding to maximise the opportunities to perform for New Zealand audiences.

Personal giving and philanthropy through the NZSO Foundation is also an important ongoing source of support. Our appreciation goes to the trustees of the Foundation for their ongoing contribution. In 2012, as in previous years, the Foundation provided a range of grants and assistance to the Orchestra and continued to provide the resources to enable the employment of a Fundraising Manager in the Orchestra's Development Department. This is critical to ensuring continued diversification of income sources and growth in non-government revenue.

I congratulate the Music Director, our guest conductors, our guest soloists and the talented and committed musicians of the NZSO for the delivery of a memorable year of music.

Christopher Blake, who was appointed Chief Executive in February 2012, has inspired the management team and collectively they have delivered an outstanding result for 2012. They have also worked constructively with the members of the orchestra with a view to improving all aspects of the operation of the organisation. My congratulations to them for an outstanding years work which has been reflected in the financial results.

In conclusion I thank my fellow board members for their enthusiasm and commitment to the governance of the Orchestra. We all look forward to a rewarding season for 2013.

Donald Best

Chief Executive's Overview

The NZSO has had a highly successful year. A strong and diverse programme of concerts was delivered to audiences across New Zealand. The Orchestra enjoyed critical acclaim for its performances and these artistic successes were matched by an equally strong financial performance.

The heart of the 2012 season was the touring programme of 73 orchestral concerts of fine symphonic music. These performances were given in 34 separate touring programmes visiting various combinations of eight centres during the year.

In addition to this core concert season, the orchestra was also engaged in a wide range of other musical activities. These encompassed Music for Schools, Community Programmes, recordings for CDs and film soundtracks and the Young Originals programme of activities focused on the development of outstanding young musicians. A critical element of our commitment to developing young musicians is the NZSO National Youth Orchestra which was convened twice during the year.

It is difficult to single out the highlights in a year of such strong performances. Nevertheless, from any perspective, the three concert performances of Wagner's *Die Walküre* led by Music Director Pietari Inkinen were a triumph and a significant milestone for the Orchestra.

The season had a rich mix of the late Romantic repertoire, one of the NZSO's strengths. This was well served by the international artists who brought this music to life with great skill and authority. It was a pleasure to welcome the internationally renowned David Zinman on his first visit to the Orchestra. Audiences and musicians alike were privileged to enjoy the experience and insight of his masterly reading of the *Alpine Symphony* of Richard Strauss. European-based Australian conductor Simone Young, an acknowledged interpreter of Bruckner directed superb performances of his Symphony No. 5 in her first tour with the NZSO.

Music Director Pietari Inkinen further demonstrated his mastery of the expansive late Romantic repertoire with strong performances of Mahler's Symphony No. 7 in his debut with the work in three centres. This tour alternated the Mahler with Beethoven's Symphony No. 7 for the smaller venues which was a flexible and practical touring format to be further explored in future planning. This tour was particularly successful, in part a consequence of the added attraction of enjoying Pietari Inkinen as soloist together with Concert Master Vesa-Matti Leppänen in the Bach Concerto for Two Violins in d minor.

Pietari Inkinen's first tour of the year presented two programmes each built around a popular masterpiece, Stravinsky's music for the complete ballet *L'Oiseau de Feu* and Debussy's *La Mer.* The programmes also featured young American mezzo-soprano Sasha Cooke in Mahler's *Songs of a Wayfarer* and Chausson's *Poème de l'Amour et de la Mer* respectively as well as New Zealand composer Douglas Lilburn's Symphony No. 3 and Britten's *Peter Grimes: Four Sea Interludes.* The repertoire was richly coloured and highly engaging, providing many opportunities for the NZSO to display the depth of talent and skill it has within its ranks.

> The heart of the 2012 season was the touring programme of 73 orchestral concerts

Two further conductors debuted with the NZSO during the season. In May American Andrew Grams toured with the cellist Lyn Harrell as soloist in the Elgar Cello Concerto. The tour enjoyed strong audience support and Grams' eloquent interpretation of Schumann's Symphony No. 4 did much to display the quality of a work which can suffer under less insightful direction.

In October Peruvian conductor Miguel Harth-Bedoya toured with the celebrated young British violinist Nicola Benedetti, in a programme which included New Zealand composer Kenneth Young's *Dance*, the Tchaikovsky Violin Concerto and music by Bernstein. This music was superbly conducted and, with a rising young star as soloist, the concerts proved very popular.

Two returning conductors were Andrew Litton and Rossen Milanov. Andrew Litton was joined by pianist Stephen Hough in outstanding performances of the Saint-Saëns Piano Concerto No. 5 *Egyptian* in concerts which included a commanding reading of Shostakovich's Symphony No. 5 and New Zealand composer Anthony Ritchie's homage *Diary of a Madman: Dedication to Shostakovich.*

Rossen Milanov's concert tour under the title *Spellbound* featured music by Dukas, Rimsky-Korsakov's *Scheherezade* and Poulenc's Organ Concerto with Olivier Latry, organist for the Cathedral of Notre Dame, as soloist. Audiences enjoyed the opportunity to hear this work in the hands of such a master. Unfortunately, the Christchurch performance was cancelled when heavy snows closed the city down in June.

The year began with our Chinese New Year concert series, the second following the launch of this initiative the previous year. Chinese conductor Perry So led the concerts and the programme provided an opportunity for pianist John Chen to demonstrate his brilliance and virtuosity in *The Yellow River Piano Concerto.* The first tour of the year was undertaken by the NZSO Soloists under the direction of Vesa-Matti Leppänen. This was an opportunity to feature the string and percussion sections of the Orchestra in music that included a new work by Kenneth Young with Vesa-Matti Leppänen as soloist as well as Toru Takemitsu's seminal percussion work *Rain Tree.*

The year concluded with performances of *Freddy Kempf Plays Gershwin* in Wellington and Auckland and *Messiah* in Wellington. The programme of music by Bernstein and Gershwin under Australian conductor Matthew Coorey was an opportunity for the musicians to demonstrate their versatility and ability to give idiomatic performances of challenging repertoire quite removed from the usual symphonic fare. Soloist Freddy Kempf contributed dazzling performances of three Gershwin works for piano and orchestra which are included on his recently released and acclaimed CD recording.

> The last concert of the year was an exceptional sell-out performance of *Messiah* in Wellington

The last concert of the year was an exceptional sell-out performance of *Messiah* in Wellington. The Orpheus Choir of Wellington and a dynamic quartet of soloists comprising Australian bass Andrew Collis and three popular New Zealander singers, Madeleine Pierard, Anna Pierard and Simon O'Neill under conductor Graham Abbott gave a spirited performance of this great work ending the year memorably and in fine style.

In addition to the New Zealand music performed in the concert tours, three major New Zealand works were given in the *Made in New Zealand* concert *Wonderland* conducted by Hamish McKeich and presented in Auckland and Wellington. Two of these works, Lyell Cresswell's Concerto for String Quartet and Dame Gillian Whitehead's cantata *Alice* were also included in CD recording projects featuring these composers on the Atoll and Naxos labels respectively during the year. Chris Cree Brown's *Celestial Bodies* opened each concert. All three composers were in attendance and contributed to pre-concert talks.

These concerts were an outstanding artistic achievement presenting sophisticated and important large scale orchestral works by established New Zealand composers. It is important to maximise the audience for such music to the greatest extent possible. Attendances were disappointing and this concert format will be reassessed for 2013.

New Zealand composition was also strongly supported in other ways during the year. Eight works were recorded for broadcast in two SOUNZ recording sessions in association with Radio New Zealand and eight new works by New Zealand composers under the age of 25 featured in the Todd Young Composer Awards. In an innovative collaboration with the Royal New Zealand Ballet, dancers choreographed nine works from earlier Todd Young Composer Awards which were presented in two performances in June 2012. Over 40 New Zealand works and 10 premieres of New Zealand works were presented during the year.

The Orchestra gave the opening concert of the NZ International Festival of the Arts in a Stravinsky programme featuring *Symphony of Psalms* and the opera/oratorio *Oedipus Rex.* These were directed by the gifted young Portuguese conductor Joanna Caneiro who drew strong performances from the substantial orchestral and vocal resources involved. The Orchestra's other Festival engagement involved two performances of Prokofiev's *Peter and the Wolf* and New Zealand composer Jenny McLeod's *The Emperor and the Nightingale* narrated by Helen Medlyn. The Prokofiev was performed with Suzie Templeton's Academy Award-winning short film which provided an engaging and unforgettable experience for the young audience.

The NZSO National Youth Orchestra gave concerts in Wellington and Auckland for its summer residency, part of the new extended NYO programme which culminated in a second residency in Christchurch in September. In Auckland and Wellington there were large, appreciative audiences and exciting performances of the Shostakovich Cello Concerto No. 1 by young soloist Santiago Caňón Valencia under the baton of New Zealand conductor Tecwyn Evans.

In September the NZSO National Youth Orchestra gave a well received concert in collaboration with the NZ Youth Choir in Christchurch under the direction of conductor Wyn Davies, Music Director of the NBR NZ Opera. The programme comprised Sir Michael Tippett's powerful oratorio *A Child of Our Time* and the premiere of NYO Composer-in-Residence Alex Taylor's work *feel*. For both residencies tutors from the NZSO assisted the young musicians of the NYO in their preparations for the concerts. This is a real strength of the residencies programme and a substantial benefit for the participants.

There were two Music for Schools concert programmes presented during the year in a total of nine different centres. *Myths and Legends* was a full orchestra presentation performed in five centres. *In Miniature* comprised community and school concert performances with a smaller group of players from the orchestra in four centres.

Community Performances were numerous and varied, ranging from small ensemble visits around the country to family and school based events at Te Papa, two free *Lunch Date* concerts for full orchestra, the *Close Encounters* concert and the *Leaps and Sounds* collaboration with the Royal New Zealand Ballet.

Through the Young Originals programme the NZSO provides development activities for New Zealand's outstanding young musicians. During 2012 there were four participants in the Fellowship Programme and it is pleasing to note the success of two of these students in gaining admission to prestigious overseas institutions for further study and tuition. Eight students were involved in conductor training under the auspices of NZSO Music Director Pietari Inkinen and a further eight students were welcomed into the NZSO mentoring programme. Four visiting international artists held masterclasses. These were valuable opportunities for young musicians to learn from the experience of some of the best performers currently working on the international scene. This programme also includes the Todd Young Composers Awards for which eight students were involved in masterclasses and mentoring and had their works recorded by the NZSO.

We farewelled long serving musicians Allan Chisholm Associate Principal Cello, Vicki Jones Sub Principal Double Bass and Peter Maunder Associate Principal Trombone during the year and welcomed Sam Jacobs, Principal French Horn and Craig Thorne who took up the position of Head of Orchestra Management.

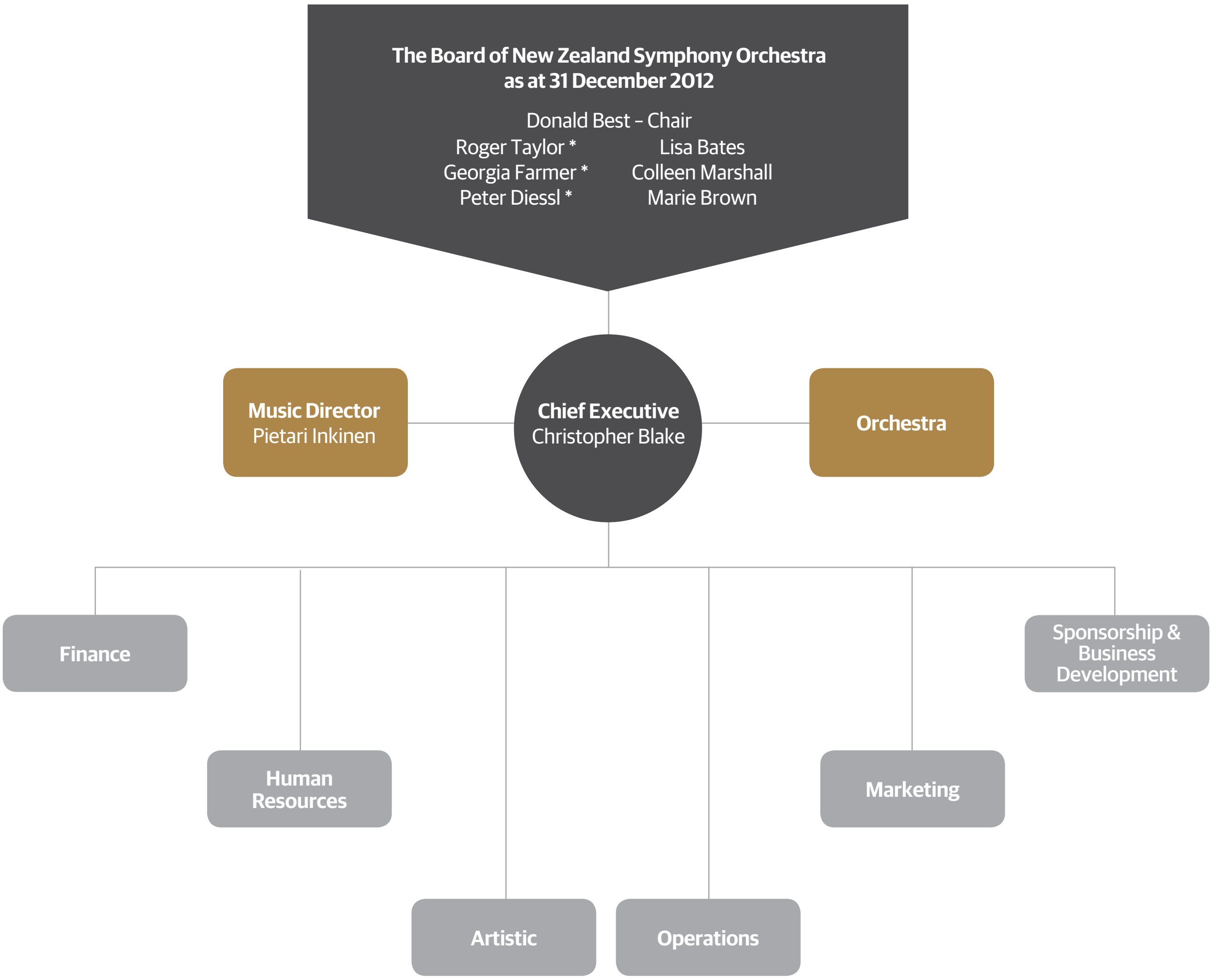
> The NZSO has an unrelentingly focus on excellence in performance

I would personally like to thank our Chair, Donald Best, and all the members of the NZSO board for their support and their committed governance of the Orchestra.

2012 was my first year as Chief Executive of the NZSO and I would like to thank all at the Orchestra for their help and counsel in enabling me to settle quickly into the role. As with all professional performing arts organisations, the NZSO has an unrelentingly focus on excellence in performance. For that to be achieved everyone must play their part and the NZSO is fortunate to have such a dedicated complement of musicians and staff. It is through their efforts and commitment to the Orchestra and its vision and values of excellence that we constantly aspire to perform to the highest possible standard and thrive in this pursuit of excellence.

Christopher Blake

NZSO Organisation



* Roger Taylor (Chair), Georgia Farmer & Peter Diessl are the members of the NZSO's Audit Committee as at 31 December 2012.

Governance Statement

Introduction

The NZSO's primary activity is to present live concerts throughout the country. Various subsidiary activities are compatible with this primary business and together they enhance New Zealand's cultural life and provide artistic development and satisfaction for the members of the orchestra.

The NZSO is a Crown Entity and operates under the *New Zealand Symphony Orchestra Act 2004*, which defines the orchestra's functions and objectives.

Governing Board

The Board is appointed by the Responsible Minister and is comprised of seven non-executive members. The appointments are made having regard to the need for members to have among them, an appropriate balance of governance and financial skills and an awareness of artistic matters, as relevant to the role of the Board.

The Board meets regularly in accordance with a schedule prepared in advance at the start of each calendar year.

Remuneration

The remuneration of the various board members is detailed in Note 14 of the financial statements.

Management Delegations & Governance

Within the guidelines of the *New Zealand Symphony Orchestra Act 2004*, the governing Board has been authorised by the Responsible Minister to manage the business of the NZSO and has delegated the day to day operational authority to the Chief Executive Officer (CEO), to do this in the best artistic and commercial interests of the organisation. The CEO's terms and conditions of employment are determined by the Board in consultation with the State Services Commission.

Management

The Senior Management Team meets on a regular basis to discuss various operational and policy issues and is a platform where key functional decisions are made

The following managers report to the CEO (Christopher Blake):

- **Chief Financial Officer (CFO) (James Henry)**
  Strategic planning; liaison with the Ministry for Culture and Heritage; all finance issues including budgets & forecasts; information technology.
- **Human Resources Manager (Sarah Glasgow)**
  All personnel related issues; performance management; employment contract negotiation; training & recruitment and payroll.
- **Head of Artistic Planning (Melissa King)**
  All artistic planning matters including programming & artist contract negotiations.
- **Head of Orchestra Management (Craig Thorne)**
  Day-to-day management of the orchestra; venue issues; artist liaison; stage management.
- **Head of Marketing (Thierry Pannetier)**
  All Marketing and ticket sales matters; media relationships; customer service.
- **Head of Development (Claire Hewitt)**
  All sponsorship and fundraising matters.

Approval Process

The CEO's expenses are approved by the CFO and later countersigned by the Chair of the Board; The CFO's expenses are approved by the CEO and all other senior managers' expenses are reviewed and approved by the CEO or CFO.

All operational spending is monitored through a budget system which is approved by the Board before the commencement of the financial year. Performance against these budgets is reviewed on a monthly basis by the CFO and CEO and reported to the Board.

Holders of delegated authorities (managers) are responsible to alert the CEO or CFO where it is likely that budget allocations will not be adequate and gain approval for additional funds before commitment is made to incur costs. Where changing, or unforeseen circumstances require unbudgeted expenditure, approval must be gained from the CEO or CFO. If the request for additional funds is seen to be justified and can be accommodated within the total budget result (or variance from the total budget result is less than $50,000) the additional funds may be approved at the discretion of the CEO or CFO. If such approval would cause the total budget result to deteriorate by an amount greater than $50,000, the Board will be consulted.

NZSO management work closely with senior staff at the Ministry for Culture and Heritage to ensure that, on the one hand, the Minister for Arts, Culture & Heritage is kept well informed and that, on the other hand, the orchestra is responsive to government policy as it affects the orchestra's operations.

Remuneration

The Board remuneration is agreed with the Responsible Minister in accordance with government guidelines and the CEO's remuneration is set by the Board after consultation with the State Services Commission. The Senior Management Team's remuneration is set by the CEO in consultation with the Chair of the Board.

Audit Committee

The Audit Committee comprises three non-executive board members, one of whom is appointed as Chair by the Board. The committee reports to the Board and has direct and unrestricted access to the external auditors and to all senior management of the NZSO.

The objective of the committee is to assist in discharging the Board's responsibilities relative to financial reporting and regulatory compliances. It must also monitor and help in the establishment of sound risk management and internal control systems. The committee meets at least twice a year and any member of the committee, the CEO, the CFO or the external auditors may request a meeting at any time if they consider it necessary.

Personnel & Equal Employment Opportunity Policy

The NZSO adheres to the principles of being a good employer.

Specifically, we strive to provide employees with a safe working environment and we have systems in place to ensure that hazards are identified and their impact minimized. The NZSO has retained its tertiary level requirements for ACC Workplace Management Practices.

The NZSO is committed to providing equality in its employment policies. All permanent positions are advertised externally to attract a wide range of candidates. The best candidates are appointed to positions after following a strict selection process. The NZSO ensures that gender balance is achieved on all appointment panels. For the selection of players, all applicants are invited to audition, and to ensure impartiality the first and second rounds of auditions are held behind screens.

The players and some management staff of the NZSO are employed under collective employment agreements. The NZSO enters negotiations with the Service and Food Workers Union (SFWU) adhering to the principles of good faith bargaining. The NZSO provides fair and reasonable terms and conditions of employment. Many entitlements exceed the statutory minimums as set out in NZ legislation.

Management positions are formally evaluated so that salaries remain competitive with the NZ general market (while being mindful of the government's expectations for pay and conditions in the public sector). Every year salaries are reviewed and training and development opportunities are accessible to all employees. Study awards and/or Bursaries are awarded to a number of employees. The NZSO has introduced a Professional Development System for players, which continues to be improved.

The NZSO has a commitment to consultation to allow employees to have an opportunity to participate in decision making. Consultative committees are set up to ensure regular consultation with employees.

The NZSO subscribes to the public sector code of conduct. It also notes the government's expectations for pay and employment conditions in the state sector and provides information to the State Services Commission as required. The board of the NZSO consults with the State Services Commission with regards review and remuneration of the Chief Executive.

Organisational Health & Capability

The following targets were set before the start of 2012 for organisational health and capability under the heading *NZSO Players Perform at Outstanding Levels.*

Process	Target	Measurement	Results
Establish quality ensemble through maintaining a full-time full-size orchestra.	Full size orchestra establishment of 90 players maintained.	Fewer than 5% vacancies (four positions) exist within the orchestra's establishment of 90.	As at 31 December 2012, there were six vacancies in the orchestra's establishment of 90.
The NZSO follows a preparation and rehearsal process that accords with leading international practice. All performances of the NZSO are thoroughly rehearsed to ensure that public performances are of the highest possible standard.	Excellent artistic performances.	A minimum of two days of rehearsals and a dress rehearsal are undertaken for all NZSO full-orchestra performances.	At least two days of rehearsals and a dress rehearsal have been undertaken before all full orchestra performances.
Maintain quality ensemble through continuity of musicians and conductor.	Low player turnover and regular Music Director visits.	Music Director conducts at least 15 performances annually for at least three years. Player turnover at less than 7.5% p.a. (seven positions).	14 performances were conducted by the Music Director in 2012. *The total number of players that retired or resigned during the year was three and NZSO welcomed two new players.*

Financial Statements

Statement of Responsibility

The Board of the New Zealand Symphony Orchestra is responsible for the preparation of the attached Financial Statements and Statement of Service Performance and the judgements used therein.

The Board is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting contained in the financial statements.

In the opinion of the Board, the attached financial statements fairly reflect the NZSO's financial position as at 31 December 2012 and the results of its operation and service performance for the year ended on that date.

Signed: ....

Donald Best
Board Chair
28 February 2013

Roger Taylor
Board Member,
Chair of Audit Committee
28 February 2013

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

The audit report relates to the financial statements and statement of service performance of the New Zealand Symphony Orchestra (NZSO) for the year ended 31 December 2012 included on the NZSO's website. The Board members of NZSO are responsible for the maintenance and integrity of the NZSO's website. The NZSO's auditors have not been engaged to report on the integrity of the NZSO's website and accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. 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 statement of service performance as well as the related audit report dated 28 February 2013 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of New Zealand Symphony Orchestra's financial statements and non financial performance information

FOR THE YEAR ENDED 31 DECEMBER 2012

The Auditor General is the auditor of the New Zealand Symphony Orchestra (the NZSO). The Auditor General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the NZSO on her behalf.

We have audited:

- the financial statements of the NZSO on pages 18 to 36, that comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of commitments for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the NZSO that comprises the statement of service performance on pages 38 to 41 and the report about outcomes on page 37.

Opinion

In our opinion:

- The financial statements of the NZSO on pages 18 to 36:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect the NZSO's:
        - financial position as at 31 December 2012; and
        - financial performance and cash flows for the year ended on that date.
- The non financial performance information of the NZSO on pages 37 to 41:
    - complies with generally accepted accounting practice in New Zealand; and
    - fairly reflects the NZSO's service performance and outcomes for the year ended 31 December 2012, including for each class of outputs:
        - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
        - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 28 February 2013. This 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 and our responsibilities, and we explain our independence.

Basis of Opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the NZSO's preparation of the financial statements and non financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NZSO's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non financial performance information within the NZSO's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non financial performance information; and
- the overall presentation of the financial statements and non financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the NZSO's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non financial performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and non financial performance information, whether in printed or electronic form.

The Board's responsibilities arise from the *Crown Entities Act 2004*.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the *Public Audit Act 2001* and the *Crown Entities Act 2004*.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the NZSO.

John O'Connell

John O'Connell,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Actual 2012 $000	Budget 2012 $000	Actual* for 6mths to 31/12/2011 $000
INCOME				
Concert Income		2,058	1,986	1,667
Interest Income		169	165	83
Other Income	1	1,933	1,757	1,283
INCOME EARNED BY THE NZSO		**4,160**	**3,908**	**3,033**
Government Funding	2	13,446	13,446	6,723
TOTAL INCOME		**17,606**	**17,354**	**9,756**
Less: TOTAL EXPENDITURE	3	**17,744**	**18,074**	**10,126**
NET SURPLUS/(DEFICIT)		**(138)**	**(720)**	**(370)**
Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		**(138)**	**(720)**	**(370)**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Actual 2012 $000	Budget 2012 $000	Actual* for 6mths to 31/12/2011 $000
Net Surplus/(Deficit)	**(138)**	**(720)**	**(370)**
Total Comprehensive Income for the Year	(138)	(720)	(370)
Opening Balance of Equity	1,830	1,765	2,200
Balance as at 31 December	**1,692**	**1,045**	**1,830**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

The accompanying notes and policies on pages 23 to 36 form an integral part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2012

	Notes	Actual	Budget	Actual
		2012	2012	2011
		$000	$000	$000
Total Equity		**1,692**	**1,045**	**1,830**
CURRENT ASSETS				
Cash & Cash Equivalents	4	2,975	2,320	3,043
Trade Receivables	5	80	180	57
Other Receivables	5	303	150	408
Prepayments		76	75	161
Investments		-	500	-
Derivative Financial Instruments	9	2	-	2
TOTAL CURRENT ASSETS		**3,436**	**3,225**	**3,671**
NON - CURRENT ASSETS				
Property, Plant & Equipment	6	1,184	1,256	1,263
Intangible Assets	6	88	70	103
TOTAL NON - CURRENT ASSETS		**1,272**	**1,326**	**1,366**
TOTAL ASSETS		**4,708**	**4,551**	**5,037**
CURRENT LIABILITIES				
Trade Creditors and Accruals	7	1,697	2,088	1,998
Employee Entitlements	8	1,133	1,222	998
Derivative Financial instruments	9	-	-	12
TOTAL CURRENT LIABILITIES		**2,830**	**3,310**	**3,008**
NON - CURRENT LIABILITIES				
Employee Entitlements	8	186	196	199
TOTAL NON - CURRENT LIABILITIES		**186**	**196**	**199**
TOTAL LIABILITIES		**3,016**	**3,506**	**3,207**
NET ASSETS		1,692	1,045	1,830

The accompanying notes and policies on pages 23 to 36 form an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Actual 2012 $000	Budget 2012 $000	Actual* for 6mths to 31/12/2011 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers		3,413	2,980	2,254
Interest Received		164	165	84
Government Funding		13,446	13,446	6,723
Payments to and on behalf of employees		(10,321)	(10,306)	(5,279)
Payments to Suppliers		(6,744)	(6,927)	(4,798)
Net Goods and Services Tax		64	-	41
NET CASH FLOWS FROM OPERATING ACTIVITIES		**22**	**(642)**	**(975)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of Property, Plant & Equipment		7	-	15
Purchases of Property, Plant & Equipment		(82)	(110)	(29)
Purchases of Intangible Assets		(15)	-	(77)
Term Deposits > 3 months		-	(500)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(90)**	**(610)**	**(91)**
NET INCREASE / (DECREASE) IN CASH HELD		(68)	(1,252)	(1,066)
ADD: CASH AT BEGINNING OF THE YEAR		3,043	3,572	4,109
CASH AT END OF THE YEAR		**2,975**	**2,320**	**3,043**
Represented by: Cash & Cash Equivalents				
Bank		1,975	2,320	2,043
Term Deposits <= 3 months		1,000	-	1,000
		2,975	**2,320**	**3,043**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

The accompanying notes and policies on pages 23 to 36 form an integral part of these financial statements.

Reconciliation of Net Cash Flows From Operating Activities with Net Surplus / (Deficit)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Actual	Budget	Actual*
		2012	**2012**	**for 6mths to 31/12/2011**
		$000	**$000**	**$000**
NET SURPLUS/(DEFICIT)		**(138)**	**(720)**	**(370)**
Add / (Deduct) Non-Cash Items:				
Depreciation & Amortisation		182	200	86
Property, Plant & Equipment received under sponsorship		-	-	(20)
Property, Plant & Equipment written off		2	-	7
Net (gains) / losses on derivative financial instruments		(12)	-	7
Changes in Doubtful Debt Provision		-	-	-
		34	**(520)**	**(290)**
Add / (Deduct) Movements in Other Working Capital Items:				
Decrease/(Increase) in Receivables		82	(116)	(189)
Decrease/(Increase) in Prepayments		85	(25)	39
Increase/(Decrease) in Creditors & Accruals		(355)	(11)	(411)
Increase/(Decrease) in Leave Provisions		122	20	(118)
Increase/(Decrease) in Revenue in Advance		26	10	(187)
Increase/(Decrease) in PAYE		(36)	-	140
Increase/(Decrease) in Net GST		64	-	41
		(12)	**(122)**	**(685)**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**22**	**(642)**	**(975)**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

The accompanying notes and policies on pages 23 to 36 form an integral part of these financial statements.

Statement of Commitments

AS AT 31 DECEMBER 2012

The value of non cancellable rental lease commitments to Wellington City Council for the lease of specified areas of the Municipal Offices Building and the Michael Fowler Centre are as follows:	2012 $000	2011 $000
Less than One Year	313	313
Between One and Two Years	131	313
Between Two and Five Years	-	130
Greater than Five Years	-	-
TOTAL NON - CANCELLABLE OPERATING LEASE	**444**	**756**

The value of non cancellable rental lease commitments to Robt Jones Holdings Limited for the lease of NZSO's Auckland office space in the Southern Cross Building, High Street, Auckland are as follows:	2012 $000	2011 $000
Less than One Year	14	14
Between One and Two Years	4	14
Between Two and Five Years	-	4
Greater than Five Years	-	-
TOTAL NON - CANCELLABLE OPERATING LEASE	**18**	**32**

At balance date the NZSO had entered into contracts covering fees with various artists and contractors as follows:	2012 $000	2011 $000
Less than One Year	1,323	962
Between One and Two Years	-	355
Between Two and Five Years	-	-
Greater than Five Years	-	-
TOTAL ARTISTS CONTRACTS	**1,323**	**1,317**

The NZSO is also committed to an operating lease of musical instruments, payable to the New Zealand Symphony Orchestra Foundation Trust as follows:	2012 $000	2011 $000
Less than One Year	17	14
Between One and Two Years	10	9
Between Two and Five Years	30	17
Greater than Five Years	67	29
TOTAL MUSICAL INSTRUMENTS LEASE COMMITMENTS	**124**	**69**

The Lease period is for 15 years from the original lease start date, on an individual instrument basis.

The accompanying notes and policies on pages 23 to 36 form an integral part of these financial statements.

Notes to & Forming Part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity and Statutory Base

The New Zealand Symphony Orchestra (NZSO) was established on 6 April 2004 by the *New Zealand Symphony Orchestra Act 2004.* The NZSO is an autonomous Crown entity for the purposes of Section 7 of the *Crown Entities Act 2004.* The terms of that Act apply to the NZSO except to the extent that the *New Zealand Symphony Orchestra Act 2004* expressly provides otherwise. The NZSO is wholly owned by the Crown and is responsible to the Minister for Arts, Culture and Heritage, Hon. Christopher Finlayson.

NZSO's mission is "Deepening and expanding musical connections and engagement with our communities" and as such the NZSO is a Public Benefit Entity for reporting purposes under New Zealand International Financial Reporting Standards (NZ IFRS).

The financial statements for the NZSO are for the year ended 31 December 2012, and were approved by the Board on 28 February 2013.

BASIS OF PREPARATION

The financial statements of the NZSO have been prepared in accordance with the *Crown Entities Act 2004,* which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Under the *Crown Entities Act 2004* Part 4, Section 136 (1), the financial year for a crown entity (other than a school board of trustees or a tertiary education institution) is defined as "the 12 months ending on the close of 30 June or any other date determined for that entity by the Minister of Finance". As of 9 September 2011, the NZSO's financial year closes on 31 December as approved by the Minister of Finance.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of the operating results, cash flows and the financial position under the historical cost method have been followed in the preparation of these financial statements, except in the case of derivative financial instruments which are measured at fair value.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of the NZSO is New Zealand Dollars.

The NZSO has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IAS 1 *Presentation of Financial Statements* The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The NZSO has no other comprehensive income for the year and so no disclosure is required.
- FRS-44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The NZSO is not required to make any additional disclosures or change the presentation of its accounts due to the adoption of this standard.

Standards amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the NZSO, are:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement.*

  NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 - Classification and Measurement, Phase 2 - Impairment Methodology, and Phase 3 - Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, NZSO is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means NZSO expects to transition to the new standards in preparing its 31 December 2015 financial statements. As the PAS are still under development, NZSO is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Critical accounting estimates and assumptions

In preparing these financial statements the NZSO has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Property, plant and equipment useful lives and residual value

At each balance date the NZSO reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the NZSO to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Orchestra, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the balance sheet. The NZSO minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- review of second hand market prices for similar assets where available and appropriate; and
- analysis of prior asset sales.

The NZSO has not made significant changes to past assumptions concerning useful lives and residual values.

The carrying amounts of property, plant and equipment are disclosed in note 6.

Long service leave

Note 8 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which significantly affect the measurement of the operating result and financial positions have been applied.

a) Property, Plant and Equipment

The costs of property, plant and equipment are the value of consideration given to acquire assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Property, plant and equipment are measured at costs less accumulated depreciation and impairment losses.

b) Depreciation

Depreciation is provided on a straight line (SL) basis on all items of property, plant and equipment at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives. Leasehold alterations are depreciated over the remaining period of the lease agreement.

Major depreciation rates are:

Leasehold Alterations	15 years	6.67%	SL
Computer Equipment	3 years	33.33%	SL
Studio Equipment	10 years	10.00%	SL
Furniture and Fittings	15 years	6.67%	SL
Musical Instruments – percussion	10 years	10.00%	SL
Musical Instruments – all others	25 years	4.00%	SL
Library – Music Manuscripts	Not depreciated		

c) Intangibles assets & Amortisation

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the NZSO, are recognised as an intangible asset. Direct costs include the software development and directly attributable employee costs. Staff training costs are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired Computer Software	3 years	33.33%
Developed Computer Software	3 years	33.33%

d) Impairment of Property, Plant and Equipment and Intangible assets

Property, Plant and Equipment and Intangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value will exceed the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement costs for the assets.

Impairment losses are recognised in the Statement of Comprehensive Income.

e) Debtors and Other Receivables

Debtors and receivables are initially measured at fair value and subsequently measured at amortised cost. All receivables are for less than 12 months and the effect of discounting is immaterial. Allowances for estimated irrecoverable amounts are recognised after reviewing every item of receivables.

f) Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. NZSO normally pays its creditors on the 20th of the month following invoice date and all payables are non interest bearing. Consequently, the effect of discounting is immaterial.

g) Currency Conversions

All Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

h) Income Tax

The NZSO is a public authority for the purposes of the Inland Revenue Acts. A public authority is exempt from income tax under the *Income Tax Act 2007.*

i) Accounting for Non Cash Transactions

The NZSO recognises non-cash transactions in which there is an exchange of goods and services or acquisition of assets. Consideration is valued at the lower of assessed cost or market value. There is usually a nil effect on the net surplus/ (deficit) as transactions of equal value are recorded in both income and expenditure categories.

Where items of property, plant and equipment are provided in non-cash transactions and ownership passes to the NZSO, the full value of the assets is recognised as income and the asset written off by depreciation in accordance with the NZSO's depreciation policy.

j) Financial Instruments

The NZSO is party to financial instrument arrangements including cash and bank, short term investments, trade receivables and creditors and accruals which have been recognised in the Balance Sheet. The NZSO does not hold or issue financial instruments for trading purposes. Income, expenditure and movements in fair value in relation to all financial instruments are recognised in the Statement of Comprehensive Income.

Derivative Financial Instruments

The NZSO uses derivative financial instruments to reduce its exposure to foreign exchange risk arising from its normal operating activities. These instruments are measured at fair value and movements recognised in the Statement of Comprehensive Income. NZSO has not adopted hedge accounting.

k) Budget Figures

The budget figures are those approved by the NZSO Board at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the NZSO Board for the preparation of these financial statements.

l) Income

The NZSO derives income through the provision of outputs to the Crown, for services to third parties and income from its investments. Such income is recognised when earned and is reported in the financial year to which it relates. Accordingly, income related to future concerts is deferred until the period in which those concerts take place.

Revenue from the Crown is received quarterly in advance and is recognised in the quarter the fund relates to.

m) Investments

Investments are initially valued at fair value. After initial recognition investments are measured at amortised cost using the effective interest method.

n) Operating Leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the years in which they are incurred.

o) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which NZSO invests as part of its day-to-day cash management. Term deposits with maturity of three months or less are classified as cash and cash equivalents and those greater than three months are classified as investments. Operating activities include cash received from all income sources of the NZSO and records the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets and investments. Financing activities comprise the change in equity and debt capital structure of NZSO.

p) Goods and Services Tax ("GST")

These financial statements are prepared on a GST exclusive basis with the exception of trade receivables and trade creditors which are stated inclusive of GST. The net amount payable in respect of GST is included as part of Other Creditors & Payables.

The Net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

q) Employee Entitlements

Provision is made in respect of NZSO's liability for Annual Leave, Long Service Leave, Deferred Leave, Retiring Leave and Sick Leave. Annual Leave, Retiring Leave and Deferred Leave have been calculated on an actual entitlement basis at current rates of pay. Long Service Leave has been calculated on an actuarial basis. The liability for sick leave has been calculated as the extent to which actual leave taken in the coming year is expected to be greater than the sick leave entitlements earned in the year, based on historic analysis. NZSO's contribution to superannuation schemes are accounted for as defined contribution schemes and are recognised as expenses in the Statement of Comprehensive Income as incurred.

The NZSO has two employees who participate in the Defined Benefit Plan Contributors Scheme which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Employer contributions to this scheme were suspended in April 2011. Insufficient information is available to use defined benefit accounting. The scheme is therefore accounted for as a defined contribution scheme.

r) Provisions

Provision for future expenses of an uncertain amount and timing are recognised when there exists a present obligation as a result of a past event and it is probable that expenditure would be required to settle that obligation. Where the effect of discounting is material the amount of expenditure will be the present value of the future expenditure.

s) Changes in Accounting Policies

There have been no changes in accounting policies during the financial period.

1. Other Income

	Actual 2012 $000	Actual* for 6mths to 31/12/2011 $000
Sponsorship Income +	1,525	727
Recording Income and Cost Recoveries	190	78
REAL New Zealand Festival Funding ++	-	350
Merchandising Receipts	11	22
Sundry Income	207	106
TOTAL OTHER INCOME	**1,933**	**1,283**

\+ $665,000 of Sponsorship Income is contra sponsorship (2011: $280,000). This represents non-cash income and an equivalent amount is expensed or capitalised when NZSO receives goods and/or services from sponsors. In return, sponsors receive various benefits from NZSO.

++ In 2011, $350,000 was received from the Cultural Diplomacy International Programme for the NZSO's events in the REAL New Zealand Festival during the Rugby World Cup 2011 period.

2. Government Funding

Government Funding for the NZSO's ongoing expenditure is provided through *Vote: Arts, Culture and Heritage*. The funding is remitted to the NZSO under the terms and conditions of a Memorandum of Understanding negotiated each year with the Minister for Arts, Culture and Heritage.

	Actual 2012 $000	Actual* for 6mths to 31/12/2011 $000
Government Funding (GST exclusive)	13,446	6,723

3. Expenditure

	Actual 2012 $000	Actual* for 6mths to 31/12/2011 $000
Direct Expenses from Orchestral activity	4,934	3,741
Personnel Costs	10,436	5,161
Occupancy Costs	380	176
Audit Fees for financial statements audit	49	49
Depreciation & Amortisation	182	86
Loss on Disposal of Assets	4	7
Board Members fees	106	53
Losses on Derivative Financial Instruments	6	8
General Operating Costs	1,647	845
TOTAL EXPENDITURE	**17,744**	**10,126**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

PERSONNEL COSTS	Actual 2012 $000		Actual* for 6mths to 31/12/2011 $000
Salaries & Wages +	9,704	++	4,742
ACC Levy	39		27
Contribution to Superannuation Schemes	329		173
Allowances	198		121
Recruitment & Training	166		98
	10,436		**5,161**

+ As at 31 December 2012, the NZSO has a staff establishment of 118 Full-Time Equivalent employees made up of 28 administration staff and 90 musicians (this was the same as 31 December 2011). At balance date, there were 8 vacancies in the establishment (31/12/2011: 4).

++ Payments totalling $99,240 were made in relation to the cessation of employment of three employees (31/12/2011: nil).

4. Cash & Cash Equivalents

Cash is held at bank, at call or in fixed term interest bearing deposits:

	Actual 2012 $000	Actual 2011 $000
Cash at Bank and at Call	1,975	2,043
Fixed Term Deposits < = 3 months	1,000	1,000
TOTAL CASH & CASH EQUIVALENTS	**2,975**	**3,043**

5. Trade Receivables & Other Receivables

As at 31 December 2012 all overdue receivables have been assessed for impairment and irrecoverable amounts. There has been no indication of impairment to any receivables and no amounts have been assessed as irrecoverable. The carrying value of receivables approximates their fair value. All receivables greater than 30 days in age are considered to be past due.

TRADE & OTHER RECEIVABLES	Actual 2012 $000	Actual 2011 $000
Current	341	393
Past Due 1 – 30 Days	13	32
Past Due 31 – 90 Days	3	24
Past Due > 90 Days	26	16
TOTAL	**383**	**465**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

6. Property, Plant & Equipment / Intangible Assets

PROPERTY, PLANT & EQUIPMENT	Leasehold Alterations	Computer Equipment	Studio Equipment	Furniture & Fittings	Musical Instruments	Music Library
COST	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at 1 July 2011	769	204	370	368	673	568
Additions	-	9	4	1	-	5
Transfers	-	-	-	-	15	-
Disposals	-	-	-	-	(8)	-
Balance at 31 December 2011	769	213	374	369	680	573
Balance at 1 January 2012	769	213	374	369	680	573
Additions	-	14	43	3	7	15
Transfers	-	-	-	-	-	-
Disposals	-	(9)	-	(7)	(7)	-
Balance at 31 December 2012	769	218	417	365	680	588
ACCUMULATED DEPRECIATION						
Balance at 1 July 2011	613	180	214	285	350	-
Depreciation expenses	26	8	13	11	21	-
Depreciation-Disposals	-	-	-	-	-	-
Balance at 31 December 2011	639	188	227	296	371	-
Balance at 1 January 2012	639	188	227	296	371	-
Depreciation expenses	52	13	28	19	40	-
Depreciation-Disposals	-	(9)	-	(4)	(1)	-
Balance at 31 December 2012	691	192	255	311	410	-
NET BOOK VALUE						
At 30 June 2011	156	24	156	83	323	568
At 31 December 2011	130	25	147	73	309	573
At 31 December 2012	78	26	162	54	270	588

There has been no indication of impairment to any Property, Plant and Equipment during the year.

Capital Work-in-Progress	TOTAL
$000	$000
26	2,978
10	29
(15)	-
(15)	(23)
6	2,984
6	2,984
-	82
-	-
-	(23)
6	3,043
-	1,642
-	79
-	-
-	1,721
-	1,721
-	152
-	(14)
-	1,859
26	1,336
6	1,263
6	1,184

INTANGIBLE ASSETS	Computer Software	Capital Work-in-Progress	TOTAL
COST	$000	$000	$000
Balance at 1 July 2011	200	-	200
Additions	65	32	97
Transfers	-	-	-
Disposals	-	-	-
Balance at 31 December 2011	265	32	297
Balance at 1 January 2012	265	32	297
Additions	9	6	15
Transfers	-	-	-
Disposals	-	-	-
Balance at 31 December 2012	274	38	312
ACCUMULATED DEPRECIATION			
Balance at 1 July 2011	187	-	187
Amortisation expenses	7	-	7
Amortisation-Disposals	-	-	-
Balance at 31 December 2011	194	-	194
Balance at 1 January 2012	194	-	194
Amortisation expenses	30	-	30
Amortisation-Disposals	-	-	-
Balance at 31 December 2012	224	-	224
NET BOOK VALUE			
At 30 June 2011	13	-	13
At 31 December 2011	71	32	103
At 31 December 2012	50	38	88

There has been no indication of impairment to any intangible assets during the year.

7. Trade Creditors & Accruals

"Other Creditors and Payables" includes Net GST Payable of $40,836 as at 31 December 2012.

All trade creditors are paid within 30 days as the payment terms used by NZSO are 20th of the month following invoice date. Therefore the carrying value of creditors approximate their fair value.

	Actual 2012 $000	Actual 2011 $000
Revenue in Advance	843	817
PAYE Payable	208	244
Other Creditors and Payables	457	613
Trade Creditors	189	324
TOTAL TRADE CREDITORS AND ACCRUALS	**1,697**	**1,998**

8. Employee Entitlements

Provision for Employee Entitlements are as follows:

	Actual 2012 $000	Actual 2011 $000
CURRENT:		
Accrued Salary & Wages	8	-
Annual Leave	757	765
Sick Leave	48	51
Long Service Leave	212	70
Deferred Leave	16	16
Retiring Leave	92	96
	1,133	**998**
TERM:		
Long Service Leave	186	199
NET LIABILITY FOR EMPLOYEE ENTITLEMENTS	**1,319**	**1,197**

The present value of the term long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. The NZSO has used an actuarial model issued for this purpose by The Treasury, effective for 31 December 2012.

A discount rate of 6% (31/12/2011: 6%) and an inflation factor of 3.50% (31/12/2011: 2.50%) were used.

If the discount rate were to differ by 1% from the estimates, with all other factors held constant, the carrying amount of the liability would be an estimated $9,000 higher/lower (31/12/2011: $8,000).

If the salary inflation factor were to differ by 1% from the estimates, with all other factors held constant, the carrying amount of the liability would be an estimated $11,000 higher/lower (31/12/2011: $12,000).

9. Financial Instruments

NZSO is party to financial instruments as part of its everyday operations. These include instruments such as cash and bank balances, investments, trade receivables and trade creditors.

MARKET RISK

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. This could particularly impact on the return from investments. The Board do not consider there is any significant exposure to interest rate risk on its investments.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The NZSO has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal operating activities. It is the NZSO's policy to reduce these risks if it is considered prudent, using foreign exchange contracts and foreign currency denominated bank accounts. The NZSO held bank accounts denominated in foreign currency as at 31 December 2012 totaling $39,555 (31/12/2011: $572). Artist contracts with foreign exchange exposure as at 31 December 2012 totalled $566,779 (31/12/2011: $730,948). Of this amount, $315,209 is covered by foreign exchange contracts held by the NZSO as at 31 December 2012 (31/12/2011: $207,954).

These forward exchange contracts have been reported at fair value as at 31 December 2012 and the unrealised losses/gains are shown in the Statement of Comprehensive Income. The net losses relating to forward exchange contracts for the period ended 31 December 2012 are $6,298 (31/12/2011: $8,156). This includes unrealised losses of $523 and unrealised gains of $1,554 calculated on forward foreign exchange contracts as at 31 December 2012 (31/12/2011: losses, $11,731 : gains, $1,658).

Sensitivity Analysis

The NZSO held bank accounts denominated in foreign currency as at 31 December 2012 totaling $39,555 (31/12/2011: $572); consisting of US dollars, Euros, British Pounds and Australian dollars. If the NZ dollar had weakened/strengthened by 10% against these currencies with all other variables held constant, the gain on valuation of these accounts would have been:

- $3,596 (31/12/2011: $52) lower if the NZ dollar had weakened;
- $4,395 (31/12/2011: $64) higher if the NZ dollar had strengthened.

This movement is attributable to the valuation of amounts held in foreign currency accounts as at 31 December 2012.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZSO, causing the NZSO to incur a loss. Financial instruments that potentially subject the NZSO to risk consist of cash and bank, investments and trade receivables. The NZSO invests funds only with registered banks with satisfactory credit ratings. Exposure to any one financial institution is restricted.

The table below analyses the derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months and a year	Greater than 1 year
31/12/2012	**$000**	**$000**	**$000**
Forward Foreign Exchange Contracts			
Outflow	183	126	-
Inflow	182	126	-
31/12/2011			
Forward Foreign Exchange Contracts			
Outflow	105	309	-
Inflow	103	281	-

Trade creditors and other payable matured within a short period and are non interest bearing.

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months and a year	Greater than 1 year
31/12/2012	**$000**	**$000**	**$000**
Creditors and Accruals (Note 7)	1,697	-	-
31/12/2011			
Creditors and Accruals (Note 7)	1,998	-	-

Liquidity Risk

Liquidity risk is the risk that the NZSO will encounter difficulty raising liquid funds to meet commitments as they fall due. The cash and bank balances are reviewed on a daily basis.

Fair Values

There were no significant differences between the fair value and carrying amounts of financial instruments shown in the financial statements as at 31 December 2012 or 31 December 2011.

Credit Facilities

The NZSO did not have bank overdraft or other credit facilities as at 31 December 2012 or 31 December 2011.

Letter of Credit

NZSO is party to a Letter of Credit from ANZ Bank New Zealand for the sum of $300,000 to cover payroll direct credits (31/12/2011: $300,000).

10. Categories of Financial Assets & Liabilities

The carrying amounts of the financial assets & liabilities	Actual 2012 $000	Actual 2011 $000
LOANS & RECEIVABLES		
Cash & cash equivalents	2,975	3,043
Trade & other receivables	383	465
	3,358	**3,508**
FINANCIAL ASSETS AT FAIR VALUE THROUGH SURPLUS/(DEFICIT)		
Derivative - Forward Exchange contract	2	2
	2	**2**
FINANCIAL LIABILITIES AT AMORTISED COSTS		
Trade Creditor & Accruals	1,697	1,998
	1,697	**1,998**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH SURPLUS/(DEFICIT)		
Derivative - Forward Exchange contract	-	12
	-	**12**

FAIR VALUE HIERARCHY DISCLOSURES

NZ IFRS 7 requires financial instruments recognised at fair value to be disclosed according to the following hierarchy:

1. Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
2. Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
3. Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The NZSO has recognised derivative financial instruments at fair value and the asset derivatives of $1,554 (31/12/2011: $1,658) and liability derivatives of nil (31/12/2011: $11,731) above, all fall under level 2.

11. Contingencies

The NZSO has no contingent liabilities (31/12/2011: nil). The NZSO has no contingent assets (31/12/2011: nil).

Superannuation schemes

The NZSO is a participating employer in the DBP Contributors Scheme (the Scheme), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the NZSO could be responsible for any deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the NZSO could be responsible for an increased share of any deficit. As at 31 March 2012, the Scheme had a past service surplus of $258.9 million (exclusive of Employer Superannuation Contribution Tax). This surplus was calculated using a discount rate equal to the expected return on net assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

The actuary of the Scheme has advised that the employer contributions are suspended with effect from 1 April 2011.

12. Related Parties

All related party transactions have been entered into on an arms' length basis. The NZSO is an autonomous crown entity, wholly-owned by the Crown.

Significant transactions with government-related entities

The NZSO was provided with funding from the Crown of $13.446m (31/12/2011: $6.723m) from *Vote: Arts, Culture & Heritage* for its ongoing operations.

Collectively, but not individually, significant, transactions with government-related entities

In conducting its activities, the NZSO is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The NZSO is exempt from paying income tax.

The NZSO also purchases goods and services from and sells services to entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases and sales from these government-related entities for the year ended 31 December 2012 totalled $1.047m (31/12/2011: $0.701m). These purchases included air travel from Air New Zealand, power from Genesis Energy, postal services from New Zealand Post and Express Couriers and sales of sponsorship to Solid Energy.

Transactions with non-government related parties

i) The NZSO has the use of a violin owned by Diessl Investments Limited at no cost. NZSO board member Peter Diessl is also a director of Diessl Investments Limited.

ii) The NZSO has the use of a violin owned by The Cranfylde Charitable Trust at no cost. NZSO board member Roger Taylor is also a Trustee of The Cranfylde Charitable Trust.

iii) The NZSO transacts with The NZSO Foundation a separate registered charitable trust in which NZSO board members Lisa Bates and Peter Diessl are current Trustees. All transactions were carried out on an arms length basis. Total amounts paid to the NZSO Foundation were $23,935 and received were $279,568.

13. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NZSO. This includes the Board, Chief Executive, Chief Financial Officer, Human Resources Manager, Head of Artistic Planning, Head of Orchestra Management, Head of Marketing and Head of Development.

	Actual 2012 $000	Actual* for 6mths to 31/12/2011 $000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Short Term Employment Benefits	1,035	654
Post Employment Benefits	-	-
Other Long Term Benefits	-	10
Termination Benefits	-	-
	1,035	**664**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

14. Board Members' Fees

Board members' remuneration received or due and receivable during the year is as follows:

	Actual 2012 $000	Actual* for 6mths to 31/12/2011 $000
D Best (Chair)	24	12
L Bates	13.5	5
M Brown	13.5	7
P Diessl	13.5	7
W Falconer *	-	1
G Farmer	13.5	7
C Marshall	13.5	7
R Taylor	14.5	7
TOTAL	**106**	**53**

* W Falconer's term as a Board member expired on 31 July 2011.

15. Board & Officers' Liability Insurance

The NZSO has arranged policies of "Directors' and Officers' Liability Insurance" which ensures that generally board members and officers will incur no monetary loss to the limit of indemnity of $5,000,000 for any one claim or in all, as a result of actions undertaken by them as board members or officers.

16. Employee Insurance

Musical instruments owned by the players and used within the orchestra are subsidised by the NZSO at 40% of the premium under a Material Damage policy.

17. Employee Remuneration

The number of employees whose remuneration and other benefits was above $100,000 for the year ended 31 December 2012 within $10,000 bands are as follows:

	Actual 2012	Actual* for 6mths to 31/12/2011
$100,000 - $109,999	3	-
$110,000 - $119,999	1	-
$140,000 - $149,999	2	-
$180,000 - $189,999	1	-
$190,000 - $199,000	1	-
$200,000 - $219,999	1	-
$240,000 - $249,999	-	1 +

The Chief Executive's remuneration fell within the range $190,000 to $199,999 and covers the period from appointment on 7 February 2012 until 31 December 2012.

+ The previous Chief Executive retired on 31 December 2011 and remuneration includes the payout of unused leave as at that date.

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

18. Capital Management

The NZSO's capital is its equity which comprises accumulated funds. Equity is represented by net assets. The NZSO is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. The NZSO manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure that the NZSO effectively achieves its objectives and purpose, while remaining a going concern.

19. Explanations of Major Variances Against Budget

Explanations for major variations from NZSO's budget figures for 2012 are as follows:

Statement of Comprehensive Income

a) Other Income was $176,000 (10%) higher than budgeted. The favourable variance was most substantially due to higher levels of Recording Income than were budgeted. The NZSO recorded two film score projects and two CD's during the year which had not been budgeted at the start of 2012.

b) Total Expenditure was $330,000 (2%) lower than budgeted. The favourable variance was most substantially due to lower Direct Expenses from Orchestral Activity. The largest savings were achieved in Orchestra (and guest artists') travel and accommodation costs and reflect broadly lower airfares and efficient touring logistics.

Statement of Financial Position

a) The balance of Trade Creditors and Accruals were $391,000 (19%) lower at year-end than budgeted. The timing of settlement of Creditors has a significant impact on this variance and is consequently reflected in lower than budgeted cash balances (as noted below). A significant value of creditors and other payables were settled in December 2012 ahead of their normally expected due date in January 2013 (due to the holiday period).

b) Cumulatively the balances of Cash & Cash Equivalents and Investments were $155,000 (5%) higher at year end than budgeted. This reflects the favourable year-end deficit vs. budget (of $582,000) but offset by the lower Creditors and Accruals balance noted in (a) above.

20. Financial Year Change And Comparative Year Figures

In 2011 the NZSO changed its financial reporting and balance date from 30 June each year to 31 December each year. That change necessitated a 6-month reporting period, 1 July 2011 to 31 December 2011. Those were the actual results published in the NZSO's last Annual Report. As a consequence of that change, the prior period comparative figures in this Annual Report are for a six-month period and not a full year.

21. Events After The Balance Date

There were no significant events after the balance date.

22. Cost of Output Services

The New Zealand Symphony Orchestra has one output class – Orchestral Services.

	Actual	Forecast	Actual*
	Cost of Service 2012 $000	Cost of Service 2012 $000	for 6mths to 31/12/2011 $000
Total Revenue	17,606	17,354	9,756
Total Expenditure	17,744	18,074	10,126
Net Surplus/(Deficit)	**(138)**	**(720)**	**(370)**

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

Performance Reporting: Impacts & Outcomes

OUTCOME: Quality — **New Zealanders stimulated by higher quality symphonic music**

Impact indicator	Impact measure	2012 Actual	2012 Budget	Actual* for the 6mths to 31/12/2011	Target Achievement
Audience surveys rate NZSO performances as high quality	Average grading achieved for quality of performance in surveys of NZSO audiences	9/10	8.5/10	8.8/10	Yes, +0.5
Reviews of recordings rate NZSO performances highly	Average grading achieved for NZSO recordings released and reviewed	9/10	9/10	8.7/10	Yes

OUTCOME: Coverage — **New Zealanders can more readily access symphonic music**

Impact indicator	Impact measure	2012 Actual	2012 Budget	Actual* for the 6mths to 31/12/2011	Target Achievement
NZSO performances engage with more communities	Total number of communities represented in NZSO audiences for live performances	44	Min 30	27	Yes, +14
Attendances for NZSO live performances continue to expand	Total audience attendances for NZSO performances	93,808	Min 100,000	65,038	No, -6,192

OUTCOME: Development — **New Zealanders are creating new symphonic music**

Impact indicator	Impact measure	2012 Actual	2012 Budget	Actual* for the 6mths to 31/12/2011	Target Achievement
New New Zealand works are created and premiered	Number of new New Zealand works premiered in performances by the NZSO	10	Min 3	2	Yes, +7
Performance of more New Zealand works in concerts, workshops and recordings	Total number of existing or new New Zealand works performed by the NZSO	41	30	17	Yes, +11

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

Statement of Service Performance

NEW ZEALAND SYMPHONY ORCHESTRA ACT 2004 - SECTION 8	SPECIFIC OBJECTIVES	OUTCOME	2012 SERVICE PERFORMANCE ACTUAL
Provide the public of New Zealand with live and recorded performances of symphonic music performed to an international standard	• Provide quality live performances throughout the country	Coverage	NZSO presented 43 full orchestra concerts and there were 30 reduced orchestra concerts undertaken during the period. A further 50 performances were made as visits to schools, rest-homes and hospitals as part of educational and outreach activities. Total performances: 123
	• Ensure that as many performances as possible are broadcast	Coverage	35 new NZSO concerts were broadcast (live or recorded), during the year by Radio New Zealand Concert.
	• Produce high quality music and film recordings	Coverage	9 new recordings were undertaken during the period including two for international film scores, two for international CD release and two CD's of New Zealand music and three for broadcast or archive.
	• Performances are of international quality	Quality	Refer performance quality measures on Pages 40-41.
Provide an orchestra that: - is highly skilled and artistically imaginative; and	• Provide Professional Development opportunities for existing NZSO musicians	Development (and Capability)	The June Violet Commons Scholarship was awarded to second violinist Andrew Thomson and double-bass players Vicki Jones and Alexander Gunchenko received Mary Fitzwilliam study awards.
	• Live performances include a wide variety of programmes	Development	NZSO presented full orchestra concerts of 20 different programmes and reduced orchestra concerts of 14 different programmes during the period.
- has strong community support	• Live performances reach as many communities as possible	Coverage	The NZSO performed full-orchestra or reduced-orchestra concerts in 8 different centres with a further 13 centres being reached with NZSO educational and outreach programmes. Total communities reached: 21
Be a leading New Zealand performing arts organisation with a role in the development of a distinctively New Zealand cultural environment	• Ensure that the NZSO's programming includes the best of composition by New Zealanders	Development	There were 10 premiers of New Zealand works performed during the year. The NZSO played a total of 41 New Zealand compositions in 2012.
	• Provide an education programme that accommodates the cultural and socio-economic diversity and geographical spread of New Zealand society	Development	NZSO invested 563 hours for the development of young New Zealand musicians. In total, there were 34,518 participants from 17 different communities involved in the various activities. The NZSO's activities reached 202 different schools and the schools involved were from all 10 deciles.
	• Work collaboratively with other performing arts companies in New Zealand	Development	During the period, NZSO worked with the Royal NZ Ballet, Museum of New Zealand Te Papa Tongarewa, Auckland Choral Society and the NZ International Festival of the Arts.
Promote and encourage New Zealand musical composition and composers	• Create workshop opportunities for New Zealand composers	Development	Four days of rehearsed and recorded readings of New Zealand works were undertaken in May and November 2012 in conjunction with SOUNZ. Eight compositions were workshopped during the NZSO/Todd Corporation Young Composer Awards in November 2012.
	• Profile New Zealand composition in public performances and in recordings	Development	The Made in New Zealand concert was presented 2 times, in Wellington and Auckland, in May and June 2012.
		Development	Two recordings were completed during the year of NZ music for CD release but no NZ film scores were undertaken (without charge for the players' services).
Provide performance opportunities for New Zealand musicians, whether as members of the orchestra or as soloists	• Ensure that New Zealand artists perform with the orchestra as often as possible	Development	In total, 34 different New Zealand artists performed with the NZSO during the period with 27 different overseas artists also engaged.

2012 SERVICE PERFORMANCE BUDGET	SERVICE PERFORMANCE ACTUAL FOR THE 6 MONTHS TO 31/12/2011 *
At least 40 full-orchestra performances presented throughout New Zealand with at least 20 reduced-orchestra performances, at least 10 education / outreach performances and at least 20 performaces made to audiences by visits to their own venues (eg schools, marae).	28 full-orchestra performances, 29 reduced orchestra performances and 32 performances made as visits to schools, rest-homes and hospitals.
Total performaces target 90-110	Total performances: 89
At least 12 new NZSO performances broadcast nationally on radio or television.	17 new radio broadcasts and 1 television broadcast.
At least six music or film score recordings undertaken.	5 new recordings
Refer performance quality measures on Pages 40-41.	Refer performance quality measures on Pages 40-41.
At least two professional development activities and/or bursaries awarded to musicians each year. Recipients report back on performance against objectives set when activity and/or bursary awarded.	The June Violet Commons Scholarship was awarded and a Mary Fitzwilliam Scholarship was also awarded.
Full orchestra performances presented of at least 15 different programmes with at least eight different reduced orchestra programmes.	12 full-orchestra programmes presented and 10 reduced-size orchestra programmes were also presented
	The NZSO performed concerts in 21 different centres with a further 6 centres being reached with NZSO educational and outreach programmes.
Total communities reached target: Minimum of 20	Total communities reached: 27
At least three premieres of New Zealand works.	2 premiers of New Zealand works.
Total New Zealand works performed target: Minimum of 15	A total of 17 New Zealand compositions performed.
The Music for Schools, Young Originals, NZSO National Youth Orchestra and NZSO Community Programmes will invest over 180 hours in the development of young New Zealand musicians, composers and conductors. It will present activities to over 25,000 participants from more than 15 communities and involve at least 100 schools.	309 hours 22,479 participants 18 communities 93 schools
At least two collaborations with other arts/cultural organisations are undertaken annually.	Performance collaborations with the Museum of New Zealand Te Papa Tongarewa, KBB Music Festival and The Edge and Telstra-Clear.
A minimum of four days of rehearsed readings of New Zealand compositions programmed in conjunction with SOUNZ.	Two days of rehearsed and recorded readings of New Zealand works were undertaken.
At least eight student compositions workshopped through our education programme.	13 student compositions workshopped
At least one Made in New Zealand concert presented which includes only New Zealand works.	None.
The orchestra is available for one CD and one film score of New Zealand music without charge for the players' services.	None.
Orchestra performances include at least 20 New Zealand artists.	17 New Zealand artists performed

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

Measurement of Performance Quality

PROCESS	TARGET	2012 SERVICE PERFORMANCE ACTUAL
Regular audience surveys are conducted and the results carefully assessed.	Audiences appreciate NZSO quality.	In surveys conducted between January and December, 9/10 of the respondents had an overall satisfaction rate at the NZSO concerts they had attended.
Audiences for full-orchestra performances increase over time.	Audiences appreciate NZSO quality.	93,808 people attended NZSO concerts in the year. This was a 2% decrease on three years ago (2009 NZSO Annual Report).
Independent international reviewing rates quality of orchestra performance.	Excellent artistic performances.	All available recording reviews are collated and a summary and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 9/10 satisfaction rating by independant international reviewers.
Critical reviews are collected and analysed after every New Zealand performance.	Excellent artistic performances	All media coverage including concert reviews, are collated and accorded a satisfaction / favorability rating on a scale of 1-10. A summary or articles and ratings are presented to the senior management, Music Director and the Board. On average NZSO reviews have an 8.9/10 satisfaction rating
International artists rate quality of orchestra and performances	NZSO recognized as an excellent orchestra by international standards.	Between January and December 2012, nine international artists completed exit polling. All rated the orchestra as extremely good or excellent. On average a 99% satisfaction grading was achieved.
International broadcasters increase their programming of NZSO recordings recognizing the quality.	NZSO recognized as an excellent orchestra by international standards.	6 NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks (2011: fourteen 2010: ten).

2012 SERVICE PERFORMANCE BUDGET	SERVICE PERFORMANCE ACTUAL FOR THE 6 MONTHS TO 31/12/2011 *
Audience surveys rate NZSO performance quality as at least 8.5/10.	In surveys conducted between July and December 2011, 8.8/10 of the respondents had an overall satisfaction rate at the NZSO concerts they had attended.
Average attendances (over a three year period) increase. Total audience target: 100,000 to 110,000	65,038 people attended NZSO concerts during the six-month period. On a pro-rata basis that was a 24% increase on three years before (2008 NZSO Annual Report).
Reviews of internationally released recordings and where possible live performances, collected and analysed (i) for salient issues, and (ii) statistically for overall quality indicators. At least 9/10 of applicable grading scale achieved on average.	On average, reviews gained an 8/10 satisfaction rating by independent international reviewers.
Reviews collected and analysed (i) for salient issues, and (ii) statistically for overall quality indicators. At least 8.5/10 of applicable satisfaction/favorability scale achieved on average.	On average NZSO reviews gained an 8.8/10 satisfaction rating.
'Exit' polling of guest conductors and soloists about their experience with the orchestra gains at least 75% satisfaction (very good or better).	Between August and December 2011, four international artists and one New Zealand artist completed exit polling. All rated the orchestra s exteremely good or excellent. On average a 94% satisfaction grading was achieved.
Number of broadcasts of the NZSO on overseas networks (over a three year period) increase.	14 NZSO recordings were requested or offered by Radio New Zealand for broadcasts on overseas networks in the six-month period (2011: eleven, 2010: ten).

* Comparative Actual Results are for the 6-month period from 1 July 2011 to 31 December 2011.

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Cover Image: First Violins led by Concertmaster Vesa-Matti Leppänen

Page 7: Violas led by Section Principal Julia Joyce

Page 30: Percussion Section Principal Leonard Sakofsky

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